

The background of the entire page is a photograph of a business meeting. A man in a dark pinstriped suit and tie is smiling and looking towards the right. In the foreground, a woman in a light blue shirt is holding a yellow highlighter. A laptop is open on the table in front of them. The background is blurred, showing other people in a professional setting.

**THE BUSINESS BEHIND AN AUDIT**  
Positioning Your Business for Success Through  
Tax Controversy Services

# WHAT IS TAX CONTROVERSY?

Tax controversy is the practice of resolving tax disputes with tax authorities such as the Canada Revenue Agency (CRA). Tax controversy can cover a broad spectrum of taxes including income taxes, indirect taxes (GST / PST / HST) withholding taxes and international taxes. While the Canadian income tax system operates on a self-assessment system, the CRA relies on sophisticated audit methodologies to ensure taxpayer compliance. This means that a file selected for audit can be based on pre-determined factors such as industry groups, business trends or unusual disclosures within a tax return. Recently we have seen an increase in taxpayer audits for a variety of reasons, some unwarranted. These audits create frustration, anxiety and time commitment that could otherwise be focussed on your business.

## How MNP Can Help

Our Tax Controversy Specialists work with you to prevent, manage and resolve tax disputes with tax authorities in a way that reduces your tax cost and minimizes disruption to your business. We then go one step further to help you develop strategies and policies that work to protect your business in the case of future audits and disputes.

## In the Event of an Audit

While an audit can leave you feeling vulnerable, it is important to remember throughout the process that it is in no way personal. According to the CRA, the tax audit program focuses mainly on small business owners, self-employed individuals, corporations and trusts. This means that a fairly wide net is cast when selecting individuals or businesses for the audit process. You will first be contacted by the tax authorities with a phone call, which will be followed by a standard letter requesting initial documentation such as financial statements, general ledgers and sub ledgers, etc. What starts off as a routine audit can turn into a time and resource consuming and ultimately financial burden unless managed appropriately at the on-set. We have successfully assisted numerous businesses through each phase of the tax controversy life cycle.

## TAX CONTROVERSIES INCLUDES:

- Tax audits
- Notice of objection
- Net worth audit
- Voluntary disclosure
- Collection issues
- Fairness request
- Third party assessment





## THE AUDIT PROCESS

The audit process generally consists of the following steps:

1. Files selected for audit / Letter issued to taxpayer advising of audit
2. Meeting with auditor and / or supervisor (for field audits)
3. Audit questions / request information (informal)
4. Proposal letter
5. Reassessment
6. Objections
7. Appeals
8. Settlement
9. Collections
10. Court

MNP's Tax Controversy Specialists understand the tax controversy process and the anxiety our clients often face. Working closely with you, we are committed to helping you prevent, manage and resolve tax disputes with the CRA, so you can focus on your business.

## The Life Cycle of a Tax Controversy:

**Pre-Audit Dispute Prevention** - We work with you to proactively reduce tax risk and gain a full understanding of any potential risks or exposures your company may be facing. Together, we are able to achieve successful results by:

- Advising you on CRA and provincial administrative practices to ensure accurate document management and tax filing positions.
- Developing and implementing changes to the company's business model in order to mitigate risk potential.
- Negotiating an advanced tax ruling with CRA prior to implementing a complex tax plan.

**Audit Examination / Management** – We can help you manage and respond to audits or examinations by the tax authorities. This includes:

- Performing and simplifying routine audit management.
- Ensuring all communications with the tax authorities are handled appropriately.
- Attending all informal and formal interviews as necessary.
- Negotiating dispute resolutions and settlement discussions to best serve your needs.

**Contesting an Audit** – Should you have questions or concerns with the proposed assessments, or examinations performed by the CRA or provincial tax authorities during an audit, MNP's skilled and knowledgeable team will help you build a credible case based on documented evidence. This includes:

- Audit questions / document requests
- Project of assessment
- Meeting with supervisors
- Notice of assessment

**Post-Audit Resolution** – If we are not able to resolve tax controversy during the audit phase, we can provide a full suite of dispute resolution alternatives such as:

- Notice of objection
- Preparing and managing presentations and negotiations during the administrative appeals process.
- Court objection support
- Supporting you through any mediation, appeals or litigation and advocating on your behalf.
- Implementing defence strategies to reduce future risk of exposure

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## Words of Advice

- An audit isn't personal. Don't be afraid – be prepared.
- Take full control of the process and get involved.
- Your chance of successfully managing an audit process and coming through it with a reduced tax bill depends on the quality of documentation you are able to provide.
- Be patient. Successfully completing the audit process takes time.



## ABOUT MNP

MNP is a leading national accounting, tax and business consulting firm in Canada. We proudly serve and respond to the needs of our clients in the public, private and not-for-profit sectors. Through partner-led engagements, we provide a collaborative, cost-effective approach to doing business and personalized strategies to help organizations succeed across the country and around the world.

For more information, please contact your local MNP advisor.

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## HELPFUL TIPS FOR CLIENTS WHEN THE CRA CALLS

- Consult a tax advisor
- Be courteous
- Be on guard
- Stay organized
- Understand your rights

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