Insider's Guide
To Dealing With Tax Audits

A 10 Step Approach To Protecting Your Interests
In The Event Of An Audit

by Darryl H. Hayashi, B. Comm., C.A.

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If you are being audited for GST, PST, Payroll Tax, Personal tax or Corporate tax purposes, how can you minimize the stress and tax exposure that may result? The following ten steps may help you to protect your rights during an audit:

**Step #1: Always Work With A Professional.**

Never deal directly with auditors from Canada Customs and Revenue Agency (formerly known as Revenue Canada) or the Ministry of Finance. When they try to reach you, always direct their calls to your "official representative" or your accountant.

The benefits to this approach are twofold: first of all, it is obvious that you are taking your situation seriously by engaging the services of a professional who can respond to all the questions posed by government auditors. Secondly, you are shielded from the process. This is important. Even if you have extensive knowledge of the tax act, you should work with an impartial professional. Just as lawyers understand the folly of trying to represent themselves in court, it makes sense to work with a professional when you are being audited.

**Step #2: You Choose The Venue**

Never allow the auditor to conduct the audit at your premises if at all possible. The auditor should be limited in whom he/she talks to with regards to your tax issues. By having the auditor work at your representative's office, you can better control the "flow of information" relayed to the auditor.

**Step #3: Be Forthcoming and Responsive**

Always answer the auditor's questions succinctly and directly. Don't be evasive. But make sure to only address what you are being asked. Be to the point in your responses— but don't elaborate or furnish extra details. Any excess information you offer can lead to more questions that might never have been asked. This can lead to detrimental results.

**Step #4: Comply With Auditor's Requests**

Do not hesitate to supply all information requested by your auditor. No more and no less should be provided. Keep in mind that for the moment the auditor has tremendous power over your life. But he has many hundreds of other individuals or corporations to examine. Being cooperative is one of the best ways to avoid raising "red flags".
Step #5: Play Your Cards Close To Your Vest

Do not give the auditor "carte blanche" to examine all your accounting records. You should be cooperative, yes, but don't invite fishing expeditions.

Step #6: Don't Answer A Question Until You Fully Understand It

If you are unsure about the verbal questions being asked, don't be afraid to ask for clarification. Once you are sure you understand the question, then you can answer it. If you like, you can delay your answer to give yourself time to give an appropriate response.

Step #7: Take Yourself Out of The Picture

Whenever possible, let your representative deal directly with the auditor in your absence. Any "gray areas" can usually be resolved between yourself and your representative. Your representative, if experienced and able, will be able to tread lightly and achieve a significantly better result because of his knowledge and objectivity.

Step #8: Never Mislead The Auditor

Any attempts at deception will only lead to damaged credibility for you or your representative. It is better to ask for time to review the issue or questions and develop a strategic answer, in consultation with your representative.

Step #9: Be Thorough

In situations where calculations and estimates are being made to arrive at estimated taxes owing, ensure that your representative receives a copy of the pertinent work papers. By carefully reviewing and critiquing the auditor's work and challenging his assumptions, many thousands of dollars in the form of tax assessments may be avoided.

Step #10: Know Your Rights And Options

Never allow the auditor to propose his adjustments and findings and leave, assuming that you have no option to challenge the auditor's findings. Always ask for more time to consider his adjustments prior to you being assessed. In instances of retail sales tax assessments, once the assessment is made and processed, you are deemed to owe the assessed taxes regardless of whether the adjustments were correct.
Benefits of Working With Darryl H. Hayashi

• Years of experience dealing with taxpayers during my tenure as a Corporations Tax Auditor.

• My knowledge of the tax audit process and understanding of exactly what the auditor is looking for.

• My ability to analyze and find discrepancies in the auditor’s work so as to minimize the tax assessment.

About Darryl H. Hayashi


During his tenure with Corporations Tax Branch, Darryl audited:

• CN Railways Company (Montreal)
  • Toyota Canada Inc.
• Dole Foods of Canada Ltd. (Los Angeles, CA)
  • Goodyear Canada Inc.
  • Ciba-Geigy of Canada Inc.
  • Searle Canada Inc.
  • Menasco Aerospace Ltd.
• The T. Eaton Company of Canada Ltd.
  • Canada Systems Group Ltd.
  • Litton Systems (Canada) Ltd.
  • Mmmuffins Inc.
• Labatt’s Breweries of Canada (London, Ontario)

(and many other corporations throughout Canada and the United States)
Corporations Tax Branch
Minister of Finance, Province of Ontario

"...I would highly recommend [Darryl] in any capacity. As a chartered accountant, he would be successful in any position, whether in the field of taxation or in the corporate finance environment."

Khalid Siddiqi, Manager, Field Audit Operations
Corporations Tax Branch
Ministry of Finance, Province of Ontario

"...Darryl has performed audits in many diverse industries and as such, his experience and competence in auditing corporations is without questions. In his position, he was a team leader on ... audits and has reviewed the work of other auditors..."

Mark Grimsditch, Director
Corporations Tax Branch
Minister of Finance, Province of Ontario