

### *Simplified tax return*

In January 1979, a special tax return was introduced for the 1979 filing season. This return replaces the general form for taxpayers whose tax affairs are relatively uncomplicated. It is intended primarily for salary- and wage-earners and people with little or no taxable income, such as students, senior citizens and individuals filing only to claim the child tax credit.

### *Audit of returns*

Although most people in Canada comply with the requirements of the Income Tax Act, a comprehensive audit of tax returns is essential for the protection of the self-assessment system. To maintain the high standard of compliance, the Department conducts a vigorous program of auditing returns.

Returns are checked during the initial processing stage at the Taxation Centres. District Offices also carry out programs to verify claims for deductions, to ensure that all income was properly reported and to identify those who have not filed a tax return.

### *Reassessments and penalties*

If auditors discover that tax has been overstated or understated, the Department advises the taxpayer and gives him an opportunity to explain. The return is then reviewed again.

If the Department believes the taxpayer knowingly understated the

amount of tax or that the understatement of tax was the result of gross negligence, the taxpayer is informed that a penalty is being considered and is invited to present reasons why it should not be applied. When the taxpayer's response is received, the full circumstances of the case are reviewed again at a more senior level. The Department may then decide to apply a penalty, usually equal to 25 per cent of the understatement of both federal and provincial tax.

A taxpayer who receives a reassessment notice as the result of an audit has the right to file an appeal or notice of objection.

If auditors suspect that a taxpayer deliberately attempted to defraud the Government of money owing, they may refer the case to the Special Investigations Division which deals with tax evasion.

### *Filing an objection*

If differences persist after an assessment is issued and discussed with the District Taxation Office, the taxpayer has 90 days from the date when the assessment or reassessment notice was issued to file a notice of objection. The first formal appeal step initiates an independent review of the case by an appeals officer in the district office. Taxpayers or their representatives are invited to confer with the appeals officer at this stage.

The taxpayer, in the notice of objection, may, with the consent of the Minister of National Revenue, waive