

Tax and Revenue Administration (TRA)

Alberta Corporate Income Tax Act

Information Circular CT-10R1

The Tax Audit

Last updated: November 2005

NOTE: This information circular is intended to explain legislation and provide specific information. Every effort has been made to ensure the contents are accurate. However, if a discrepancy should occur in interpretation between this information circular and governing legislation, the legislation takes precedence.

The Tax Audit

This information circular explains the collections policies and procedures of Alberta Treasury Board and Finance, Tax and Revenue Administration (TRA), acting on behalf of the President of Treasury Board and Minister of Finance (the Minister), for assessed corporate income tax balances due. References to assessments and notices of assessment include reassessments and notices of reassessment. The term “debtor” is used in this information circular to refer to a corporation with a debt owing to Alberta under the *Alberta Corporate Tax Act* (the Act).

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1. Under the Act, amounts owing after the assessment are to be paid to TRA without delay. See [paragraph 10](#), below, for information if the debtor is unable to pay the debt in full. For disputed assessments, see the “[Legal Action and Assessments in Dispute](#)” section, below.

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Note: for toll-free service in Alberta, call 310-0000, then enter the number.



Interest

2. A notice of assessment includes interest from the balance-due day to the date of assessment. Additional interest accrues on any outstanding balance from the date of assessment to the date TRA receives payment in full. If the corporation pays the amount owing in full within 35 days of the date of the notice of assessment, TRA will not charge interest accrued up to the date of payment. (For more information, see [Information Circular CT-4, Interest and Penalties.](#))

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Collection Procedures

3. If TRA does not receive payment in full within 35 days following an assessment, TRA will normally call the debtor or send a letter advising of potential legal action. The debtor will be asked to pay the amount owing by a certain date. If the debtor does not pay the full amount due or make an acceptable payment arrangement with TRA, then TRA may begin legal action without further notice.
4. Taxes, interest, penalties and other amounts owing under the Act are debts owing to the Crown and recoverable by legal action or other means provided by the Act. The *Limitations Act* does not apply to debts under the Act. A debt will remain outstanding until the amount due is paid in full.
5. TRA is authorized to take certain legal action without a court hearing, such as issuing a “requirement to pay” to third parties to seize funds owing to the debtor by a third party, or registering in the Court of Queen’s Bench of Alberta a “certificate” for the amount owing.
6. A requirement to pay may be served on a third party personally or by mail. Third parties include banks, clients of the debtor, or any other party that may owe money to the debtor. On receipt of a requirement to pay, the third party must pay TRA the amount owing to the debtor or else the third party will be liable to the Crown for that amount.
7. A requirement to pay may be served on a third party that is required to make a payment jointly to a debtor and one or more other parties. In such cases, the money payable is divided into equal portions based on the number of parties jointly owed the money by the third party. The Act also provides that the debtor is the unconditional and sole owner of one equal portion of the money.
8. The debtor and any person who is owed money jointly with the debtor may, within 30 days of being served with a requirement to pay, apply to the Court of Queen’s Bench of Alberta for an order that the debtor is entitled to a different portion of the money. A copy of the application must be served on TRA and all parties jointly owed the money by the third party.
9. A certificate of an amount owing filed by TRA with the Court of Queen’s Bench of Alberta has the same authority as a court judgment. Once a certificate is filed,

TRA can register a writ of enforcement and proceed to seize the debtor's assets. Costs related to this action are also recoverable from the debtor.

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Time Extensions and Security

10. A debtor unable to pay as required and seeking a time extension must contact the Filing Compliance and Collections (FCC) unit of TRA. TRA may agree to a short-term arrangement for payment if it is satisfied that immediate payment in full is not feasible. TRA considers several factors when determining whether or not to agree to a short-term arrangement for payment, such as the debtor's ability to pay and its filing and remitting history. To assess the debtor's ability to pay, FCC may need to review information such as bank statements, cash flow, financial statements or other financial information.
11. TRA may request a debtor to provide security for an amount owing. The acceptance of security by TRA does not free the debtor from its obligation to pay the amounts owing. The full cost of providing security is the debtor's responsibility and interest continues to accrue on any unpaid balance.
12. On the written request of a debtor, TRA must return security that exceeds the total value of the amounts owing by the debtor.

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Application of Overpaid Amounts

13. An overpayment by a debtor for a particular taxation year is applied against amounts owing for other taxation years or programs, including amounts under collection arrangements, amounts for which security has been provided and amounts under objection. TRA will refund only the portion of an overpayment that remains after all other liabilities have been paid.

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Legal Action and Assessments in Dispute

14. TRA will not usually take legal action to collect an unpaid amount until after 90 days of TRA mailing a notice of assessment to the debtor.

15. TRA may take legal action to collect any undisputed amounts. However, if a debtor has filed a notice of objection or appeal in respect of an assessed amount, generally (except as set out in paragraphs 17 and 18 below) TRA will not take legal action to collect the amount in dispute
 - a. during the period the objection is under consideration by TRA;
 - b. within 90 days of TRA mailing a notice that the assessment has been confirmed or varied for the disputed amount; or
 - c. before the day on which the judgment takes effect or the day on which the debtor discontinues its appeal, in cases where the debtor has appealed to the Court of Queen's Bench of Alberta.

For more information on filing a notice of objection or appeal, see [Information Circular CT-8, Objections and Appeals](#).

16. If a debtor has filed a notice of objection with the Canada Revenue Agency, but has not filed a corresponding notice of objection with TRA, legal action by TRA to collect any unpaid amount owing will proceed.
17. The Act contains special rules for the filing of notices of objection by any corporation that is a large corporation, as well as specific provisions in respect of legal action that may be taken on amounts in dispute by a large corporation:
 - A corporation is a large corporation if the total taxable capital employed in Canada at the end of the tax year by the corporation and its related corporations is greater than \$10 million.
 - A large corporation that objects to an assessment is required to pay one half of the amount in dispute, as well as the full amount not in dispute. If a large corporation does not pay such amounts as and when required, TRA may take legal action after 90 days from the date of mailing of the respective notice of assessment.
18. If TRA has reasonable grounds for believing that the collection of an assessed amount would be jeopardized by a delay in legal action to collect it, TRA may request the authorization of the court to immediately proceed with legal action to collect the assessed amount.

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Contact Information and Useful Links

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Visit our website:	tra.alberta.ca
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TRA Client Self-Service (TRACS):	tra.alberta.ca/tracs

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