



Office Audit  
North York ON M2N 6R9

January 15, 2010

Dear Madam:

Re: Your 2007 and 2008 income tax and benefit returns

Canada's tax system is based on self-assessment, where individuals are responsible for completing and filing their tax returns correctly. The Canada Revenue Agency (CRA) helps with this process by giving Canadians the information they need to understand their legal obligations.

Each year, the CRA conducts a number of review activities that promote awareness of, and compliance with the laws we administer. These reviews are an important part of our activities to maintain the integrity of the Canadian tax system and Canadians' confidence in it.

The CRA may be conducting audits in your sector of activity. A preliminary review of your income tax and benefit return(s) has indicated that you claimed the following expense(s):

Travel - Expenses of \$            for 2007, and \$  
for 2008  
Other Business - Expenses of \$            for 2007, and \$  
for 2008

We are providing you with information outlining the eligibility of these expenses. Using the attached Appendix A, you can verify the information on your return(s) to determine the accuracy of your claims.

If you find that any expenses have not been claimed correctly, you should ask for an adjustment using the enclosed Form T1-ADJ, T1 Adjustment Request.

If we audit your tax records, our audit may not be restricted to

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APPENDIX A

For travel expenses to be deductible, you have to show that they were incurred to earn business income, and that they were necessary and reasonable. Also, the expenses have to be supported with receipts. Travel expenses include public transportation fares, accommodation, and meals. We encourage you to keep things such as correspondence, invitations, and agendas related to your business trips.

When travel is for both personal purposes and business, the personal expenses are not deductible. Expenses paid for a spouse, common law partner, or child accompanying a taxpayer are not deductible.

The cost of meals, beverages, and entertainment incurred while on a trip is usually subject to the 50% rule. For more information, see the section called "Meals and entertainment" in Guide T4002, Business and Professional Income.

The 50% rule also applies to meals, beverages, and entertainment on planes, trains, and buses when they are not included in the price of a ticket.

Conference expenses are limited to two per year, and they must meet all of the following conditions:

- the conference was held by a business or professional organization;
- you attended in connection with your business or professional practice; and
- the conference was in a location that may reasonably be regarded as consistent with the territorial scope of the organization.

For more information, see Interpretation Bulletin IT-131, Convention expenses, and the section called "Other expenses" in Guide T4002.

This appendix addresses only some common expenses. You can get more information on our Web site at [www.cra.gc.ca](http://www.cra.gc.ca).

the items identified in this letter.

When you file your 2009 income tax return and all future returns, please consider the information we have provided. This will help reduce the need for us to contact you again in this regard. It is the taxpayer's responsibility to make sure that claims prepared by a tax preparer are accurate.

Most Canadian taxpayers show diligence and care in preparing their income tax and benefit returns. Taxpayers who, knowingly or under circumstances amounting to gross negligence, have made or have participated in making a false statement or omission on a return, form, certificate, statement, or response are subject to penalties under subsection 163(2) of the Income Tax Act.

The CRA Voluntary Disclosure Program allows people to come forward and correct their tax information. Taxpayers who make voluntary disclosure in accordance with the program conditions are required to pay only the amount owing plus interest; they will not have to pay penalties nor face prosecution in the courts.

More information about the CRA can be found on our Web site at [www.cra.gc.ca](http://www.cra.gc.ca), where you can make changes to your return online. To access our electronic service, log on to "My Account" and follow the steps provided on the page.

If you have questions or concerns, please contact me.

Yours sincerely,

Office Audit

Enclosure(s)

