

Understanding Your Parking Tax Audit

TransLink Tax Bulletin



Bulletin 009

Issued by the South Coast British Columbia Transportation Authority (TransLink) under the *South Coast British Columbia Transportation Authority Act*

This bulletin provides specific information about what to expect during your Parking Tax Audit.

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Overview

If you, in your ordinary course of business, sell a parking right within Metro Vancouver to a purchaser, for the purchaser's use or benefit (ie. not for resale), you may be audited as a parking vendor.

An audit is a formal examination of financial records of your business to ensure that you are collecting and remitting parking tax that is due and to identify any areas where you may be doing this incorrectly.

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Why am I Being Audited?

Each parking vendor is responsible for correctly charging parking tax on the purchase price of parking rights and remitting the collected tax to TransLink. The parking tax revenue is used to support important transportation programs and services.

TransLink audits to obtain reasonable assurance that the parking tax remitted by parking vendors is complete and accurate. Audits help ensure that all parking vendors collect and remit the parking taxes owed and promote a level playing field for all parking vendors in TransLink's service region.

AUDIT SELECTION

Any parking vendor – large or small – may be audited. Vendors of parking rights in TransLink's service region whose head offices are located outside of the region are also subject to the legislation and therefore also subject to audit.

What is the Auditor Looking For?

When an audit is conducted, the auditor is looking for evidence that you:

- charged the proper amount of parking tax on all taxable parking right sales;
- kept track of the parking tax you charged, and remitted that money to TransLink on time; and
- have documentation to support any parking tax exempt sales or parking tax adjustments.

AUDIT AUTHORITY

With the authority delegated by the Parking Tax Administrator, a TransLink auditor may enter your business premises during your normal business hours to inspect, audit and examine financial records of your business in order to confirm that you have met your parking tax obligations. You must allow the auditor access, answer any questions and produce any records the auditor requests from you.

RECORDS FOR INSPECTION

The auditor can inspect any of your records – both paper and electronic format – including but not limited to:

- financial statements, such as your income statement and balance sheet;
- records, such as general ledgers, sales journals, tax accrual journals and cash receipts; and
- other documentation, such as sales invoices and receipts, bank statements, deposit slips and cash register tapes.

The auditor will safeguard your records and maintain confidentiality in accordance with Section 169.52 of the Act.

RECORD RETENTION

You must retain your parking tax related records for at least five years. You need written authorization from TransLink to destroy any parking tax related records that are less than five years old. If a record might be necessary for the purposes of an appeal you must keep the records until the appeals have been exhausted.

How Far Back Can I be Audited?

Generally, an audit could cover up to a four-year period. There are no time limits for an audit if you wilfully do not collect or remit the parking taxes or if you commit fraud. The auditor will discuss your audit period start and end dates with you beforehand.

What Happens During an Audit?

The auditor will contact you to arrange a mutually convenient time for a pre-audit meeting with you or your representative. A Business Overview Questionnaire will be provided which will require completion. At the pre-audit meeting, the auditor will explain the general audit process and discuss the nature of your business and your accounting system. A mutually convenient date for fieldwork will be discussed.

You will need to provide a contact person to work with the auditor during your audit. The contact person can be yourself, your accountant or bookkeeper, or another knowledgeable member of your staff.

The auditor will make every effort to complete your audit as quickly as possible. The time the auditor spends at your office can be minimized by ensuring that you locate any information requested during the pre-audit meeting before your audit begins.

The auditor will keep you informed during your audit, and will work with you to ensure your business is disrupted as little as possible. Any questions or concerns should be raised with the auditor.

AUDIT METHOD

TransLink would prefer to conduct audits by reviewing and evaluating each transaction in detail. However, the volume of transactions in most businesses makes this option inefficient for you and TransLink. Therefore, the auditor will consider a sampling method to review your business records.

Sampling is a detailed analysis of transactions that represent your operation for the entire audit period. This will minimize disruption to your business and the number of records that you will need to make available. (In some cases, such as with a low volume of sales transactions, it may be more practical to examine all your records in the audit period.)

During the pre-audit meeting, the auditor will work with you to decide the best sampling method to use in conducting your audit. At all times, the auditor will be available to answer any questions you may have about the audit sampling methodology.

There are two main methods of sampling used: block sampling and statistical sampling.

Block sampling is generally used for small to medium sized businesses unable to provide electronic records of the transactions under examination. Block sampling uses sample periods or blocks of time selected by the auditor to evaluate your parking right sales transactions for the audit period. The auditor will select these sample blocks in consultation with you to help ensure that the samples represent your normal business activity.

Statistical sampling is generally used for large businesses that have computerized records available for an electronic review. Statistical sampling uses randomly selected samples to evaluate your parking right sales transactions for the audit period. With this sampling method, TransLink can measure how closely the sample results match the actual results.

After the sampling method has been chosen, the auditor will then perform a detailed review of the parking right sales for the sample selected. If errors are found during sampling, the auditor may apply them over the entire audit period. However, isolated occurrences are not usually applied over the entire audit period.

REQUESTS FOR ADDITIONAL INFORMATION

During the audit, the auditor may request additional information to verify the tax status of certain transactions. You will be given additional time to provide the requested information, but excessive delays should be avoided as they could affect the audit period time limit required by law.

REFUNDS

During the review of your records, the auditor will let you know if they discover that you have overpaid the parking tax and are entitled to a refund. Where the audit concludes that no assessed amounts are owing to TransLink and you have overpaid the parking tax, the auditor will commence the refund process on your behalf and with your approval.

For more information, please see **Bulletin 008**, *Refunds of Overpayment of Parking Tax*.

What Happens After the Audit?

Once the audit is complete, the auditor will discuss the results with you.

If the review of your records has determined that an amount is owed, the auditor will provide you with supporting documentation and fully explain the findings. The auditor will also discuss the reason for the proposed assessment, explain how to avoid future assessments and answer any other parking tax questions you may have. When the reason has been fully explained to you, the auditor will provide you with a Statement of Adjustments (“SOA”). The SOA summarizes the audit assessment, advises that the audit will be reviewed before a *Notice of Assessment* is issued and confirms your right to appeal.

If you disagree with the audit results, the auditor will discuss your concerns with you and try to resolve them as quickly as possible. If your concerns cannot be resolved, you will be asked to provide a letter to the auditor explaining why you disagree. Audit management will review the letter along with your file and you will receive a detailed written response explaining the results of the review. A *Notice of Assessment* will not be issued to you until the management review is complete.

For details regarding appeals, please see the section below, *What If I Still Have Concerns?*

NOTICE OF ASSESSMENT

The *Notice of Assessment* is an official document that shows the amount of unpaid parking tax owing as a result of your audit. It will also include any interest and penalties assessed in the audit.

It is important that you note the due date on your *Notice of Assessment* as you are required to pay the amount owing by the due date. If you do not pay the total amount by the due date, we charge interest on the outstanding balance from the issue date on your *Notice of Assessment*.

If you have not paid the assessment by the due date, call the telephone number printed on your *Notice of Assessment* to avoid collection action. For more information, please see **Bulletin 011**, *Collecting Unpaid Parking Tax*.

RECOVERING UNPAID PARKING TAXES

You may recover all, or part of, an assessment for parking tax you did not collect on a sale of a parking right by billing your customer for the unpaid parking tax.

FINDING NEW INFORMATION AFTER A NOTICE OF ASSESSMENT

Your audit results are based on the information that you provide to the auditor during your audit. After your audit is complete and a *Notice of Assessment* has been issued, you may discover new information that may change the amount of your assessment. For example, you may locate additional documents or records that confirm that parking tax owing in an assessment has already been paid.

You may request an adjustment to the assessment by contacting your auditor and providing copies of the new information. The auditor will review the documents and advise you if any adjustments will be made to your assessment. This request for adjustment will not impact the appeal timelines. For details regarding appeals, please see the section below, *What If I Still Have Concerns?*

What if I Still Have Concerns?

You have the right to expect that your audit concerns, disagreements or complaints will be resolved fairly, in a timely manner and in accordance with the law.

If you disagree with your *Notice of Assessment*, you may request an appeal. Your inquiry will be reviewed by the Parking Tax Administrator for assessment. TransLink must receive your request for appeal in writing, no later than 90 days after the issue date on your *Notice of Assessment*.

If you remain in disagreement, you have the right to appeal to the Chief Executive Officer (“CEO”) of TransLink. TransLink must receive your appeal in writing within 90 days of the date of the Parking Tax Administrator’s response.

Interest is charged from the issue date on your *Notice of Assessment* on any amount you still owe. Therefore, it is best to pay the assessed amount even if you plan to appeal. If your appeal overturns the assessment, you will be refunded the amount you have paid, with interest.

Finally, if you do not agree with the CEO’s decision, you have the right to appeal to the courts within 90 days of the date of the CEO’s response.

Need more info?

Telephone: 778.375.7829
Mon to Fri, 8 a.m. to 4 p.m.

E-mail: parkingtax@translink.ca
Website: translink.ca/parkingtax

The information in this bulletin is for your convenience and guidance and is not a replacement for the legislation. Any conflict or inconsistency between applicable legislation and this bulletin will be resolved by referring to applicable legislation. Access to the *South Coast British Columbia Transportation Authority Act* and Regulations are available on our website at translink.ca/parkingtax.