Putting cash back in your pocket

PwC's Direct Tax Recovery Review (Patent pending) for Private Companies

Managing a private company is complicated enough without having to worry about filing taxes properly. And yet, inaccurate tax returns often result in overpayment— substantial sums, in some cases. PwC can help recover your tax overpayments, simply and quickly.

The Direct Tax Recovery Review (DTR) is a specialized analysis of the accounting information which feeds into the tax return. Our dedicated national team of tax and accounting professionals, supported by industry specialists, perform a type of "reverse income tax audit" to identify corporate, capital and withholding tax overpayments. The system we use in the process is based on Canada Revenue Agency's (CRA) software. While CRA carries out reviews to identify tax exposures and underpayments, PwC uses the software to look for savings. In the end, you have peace of mind knowing that your company has minimized taxes to the fullest extent possible.

Over the past five years, we have worked with dozens of our clients across a variety of industries, ranging from companies with $50 million to $1 billion in revenue, to recover cash. The average recovery is $450,000. The highest amount recovered so far is $3 million.

No financial risk

Our fee is based on the recovery identified, so there is no fee payable to PwC unless your organization realizes a cash reduction of taxes.

Minimal impact to your business

The DTR process takes very little of your time and has been developed to minimize disruption to your business. Our experienced IT professionals make data retrieval and analysis quick and easy. More than 85% of the project time is spent at our offices doing information analysis.

An efficient process

The process is efficient and performed on a timely basis so that potential areas of recovery are identified during the period amended returns can be filed. Our goal is to complete the DTR in roughly 3-4 weeks. Exact timing is scoped at the beginning of the project and depends on a number of factors including the amount of time needed to extract data for analysis, the size of the organization, cooperation of staff, complexity and issues identified.

A level playing field

As a private company, you may not have access to an internal team of tax specialists that is able to focus exclusively on minimizing taxes. The review and recovery process can add bench strength your internal team to substantially increase your tax resources focused exclusively on minimizing your corporate tax bill and mitigating non-deductible interest and penalties from government audits. In the case of an audit defence, the DTR puts your organization on a level playing field in terms of tax analysis and resources as compared to CRA.

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Four steps to putting cash back in your pocket

The Direct Tax Review (DTR) process

1. Collection of materials

We meet with you to discuss business activities, direct taxes and the information system environment, including previous tax audits, significant issues and events, areas of immediate concern and administrative matters. We then provide a written request that details electronic data requirements and specific non-electronic documentation (e.g., tax returns) needed and addresses concerns or questions you may have in relation to the data extraction process.

2. Identification of refunds

The proprietary analytical software we use to identify potential recoveries was developed by former tax directors of large companies as an audit defence tool to mitigate CRA adjustments. It was then extended to be a tool for identifying tax overpayments or recovery opportunities. We use our software to identify material direct tax recoveries from the data collected and work with industry specialists at PwC to identify industry specific recovery opportunities. The software has functionality that allows us to concentrate our efforts in the areas of greatest potential.

3. Documentation and verification of refunds

We prepare a draft schedule of potential recoveries for your review. This will detail individual transactions of interest and a summary of the recoveries to be secured. We provide supporting documentation, including legislative analysis where necessary. You have final approval on all recoveries identified.

4. Final report and claim Submission

We then complete and present a final report, including a written summary explaining the reasons for approved recoveries with detailed schedules, supporting documentation, filing instructions and corrective measures. We also prepare all amended tax returns, together with all supporting documentation, for you to submit to tax authorities and provide technical research in areas of contention.

Potential recovery areas

- Industry specific taxes and incentives
- Provincial allocations
- Capital taxes – outstanding cheques/ pre-paids
- Depreciation
- Partnership distributions
- Accounting at the divisional level
- Adjustments to retained earnings
- Acquisitions and dispositions
- Deductibility and classification for tax purposes
- Foreign exchange
- Can include other recovery services – indirect tax (PST, HST, GST, customs), provincial tax incentives, property tax

Connect with us

To learn more about how we can help you, contact any member of the PwC Direct Tax Recovery Review team.

Contacts

Debbie Meloche
Engagement Lead
416 218 1344
debbie.meloche@ca.pwc.com

Dean Landry
Project Lead
902 491 7437
dean.landry@ca.pwc.com

Scott Greer
Project Manager
506 653 9417
scott.greer@ca.pwc.com

Courtney Brown
Data Extraction and Management
902 491 7446
courtney.brown@ca.pwc.com