



business meeting

AUTHORIZING A REPRESENTATIVE FOR YOUR BUSINESS

Most business owners, especially in the early stages of the life of that business, are required to juggle multiple roles. And from the very beginning, those roles include the job of keeping business and tax filing and payment obligations up-to-date and in good standing with government authorities, particularly the Canada Revenue Agency (CRA).

It's not usually the case that a small business owner particularly wants to spend time learning the intricacies of payroll remittance schedules, income tax and GST/HST instalment due dates, and other government-mandated obligations. More often, that business owner is happy, once the business reaches a certain size and level of financial success, to either hire someone to keep on top those tasks or outsource them to a third-party provider of such services.

Once the business reaches that point, the business owner will be dealing with the tax authorities through a representative, and determining who that representative will be and what he or she will be authorized to do is an important decision for the business owner.

Does the business need a representative?

The first step in determining whether to name a person or firm as your business representative is to realize that the federal government and, in particular, the CRA cannot and will not deal with anyone other than the business owner, no matter what that person's relationship with the business owner is, unless that person has been named as an authorized representative of the business. What that means in practical terms, for instance, is that a bookkeeper or accountant cannot obtain information about the status of the business's payroll tax remittances, even if he or she is employed or retained by the business to handle payroll matters. Equally, a spouse of the business owner won't be provided with any information about upcoming income tax instalment payments to which the business owner is subject, unless prior authorization has been provided to the CRA allowing them to release such information to that spouse.

The short answer, therefore, to the question of whether a business owner should authorize a representative (or representatives) to deal with the CRA on his or her behalf is yes, unless that business owner plans to handle all personal and business income tax, payroll, and goods and services tax/harmonized sales tax matters personally. That's not usually the case.

The first step in authorizing a business representative is actually acquiring a BN, as a BN is required in order to take any further steps. A BN is the basic 9-digit number by which the federal government identifies a particular business. Obtaining a BN is a basic first step in setting up a business, and most businesses will already have such a number. For those that don't, and wish to obtain one in order to authorize a representative, information on how to obtain a BN can be found at www.cra-arc.gc.ca/tx/bsnss/tpcs/bn-ne/menu-eng.html.

Who can be a business representative?

The short answer is that anyone – including, but not limited to employees of the business – can be named as an authorized representative of that business. As well, a business owner can name as many

representatives as he or she chooses and can, as well, specify the types of information and the tax years to which each representative will have access.

Although each business has only one BN, a series of program accounts can be set up under that BN. Each such program account identifies a particular tax or regulatory obligation of the business and all filing and payment obligations of the business in respect of that obligation are handled under that program account number. The CRA website provides the following example of how that system works.

Though you can only have one business number (BN), you may have several program accounts. The BN has nine digits. When the BN is combined with a two-letter code and a four-digit reference number, it is called a program account number. It has three parts:

- *the nine-digit BN to identify the business*
- *a two-letter code to identify the program*
- *a four-digit reference number to identify each account in a program a business may have.*

Example

Program Account Number

Business No. (BN)	Program Identifier	Reference No.
1 2 3 4 5 6 7 8 9	R P	0 0 0 2

The entire program has 15 characters.

Example

In this example, Business X wants to register for a BN with the CRA, a GST/HST program account, and two payroll deductions program accounts. The business is considered a sole proprietorship so it does not need a corporation income tax program account. Once registered, the business will receive a:

1. *business number: 123456789*
2. *GST/HST program account: 123456789 RT 0001*
3. *1st payroll deductions program account: 123456789 RP 0001*
4. *2nd payroll deductions program account: 123456789 RP 0002*

It is important for a business owner to understand how program accounts for a business work, because when authorizing a representative for the business, that business owner will need to determine the program accounts (and taxation years) for which he or she is granting authorization for each such representative.



TAXES

What can a business representative do?

The information to which an authorized business representative has access, and the actions which he or she can take, are determined by the kind (or level) of authorization provided to that representative by the business owner.

In making that determination, the business owner has three options, as follows.

Level 1

Authorization applied to **all** of the program accounts of the business and **all** fiscal years. Level 1 authorization allows the CRA to only disclose information on the program accounts of the business.

Level 2

Authorization applied to **all** of the program accounts of the business for **all** fiscal years. Level 2 authorization allows the CRA to disclose information and accept changes to the program accounts of the business.

Level 3

The business owner also has a third option, with respect to each representative named, of specifying the program accounts to which that representative will have access, the taxation years which the authorization covers for each such program account, and the level of access to be provided for each such program account for each such taxation year.

It is apparent that providing authorization for a representative for one's business isn't an either/or, all or nothing proposition, but rather a decision which requires some planning and consideration of multiple factors. The business owner must determine who should have such authorization, which program accounts (ie., payroll remittances, income tax, goods and services/harmonized sales tax) that person should have access to, and whether the business tax years to which that person has access should be limited in any way. Finally, and most important, the business owner has to decide whether an authorized representative or representatives should be granted Level 2 access, which will provide them with the authority to make decisions effecting changes with respect to the business's tax and regulatory affairs, and have those decisions implemented by the CRA, knowing that those changes can be made without any requirement to inform the business owner.

The list of types of information to which a Level 1 representative can have access, or actions which a Level 2 representative can take is both very lengthy and can differ, depending on the type of business account (payroll, customs, GST/HST, etc.) involved. Before making any decision on who should have access and at what level, it's a good idea to review that list, so as to understand exactly what authority is being provided. The full list can be found on the CRA website at www.cra-arc.gc.ca/esrvc-srvce/tx/rprsnttvs/bsnsss-eng.html.

Who can authorize a business representative?

It is readily apparent that authorizing an individual or firm to act as a representative of the business with the CRA gives that person or firm access to confidential business information and, depending on the level of access, the ability to make and effect decisions with respect to the business's tax and other regulatory affairs. For that reason, only a specified group of individuals has the authority to name a representative, of any kind.

Specifically, the list of persons who have the authority to name a representative include an owner, a partner of a partnership, a corporate director, a corporate officer, an officer of a non-profit organization or a trustee of an estate.

How to authorize a business representative

The CRA provides for two basic methods by which a business owner can authorize a representative. Those methods are not, however, interchangeable, as not all of the options outlined above are available through each.

Online authorization

The first, and fastest, method of naming a representative is by doing so online, through the CRA's My Business Account service. Businesses which are already registered for My Business Account can find the required webpage at www.cra-arc.gc.ca/esrvc-srvce/tx/bsnss/mycmt/menu-eng.html, while those which are not will have to start the processing by registering for My Business Account at the same website address. Using the online method has the undoubted advantage of speed, as any authorization made using that method is effective immediately. What the online method lacks, however, is some degree of flexibility. Specifically, the online service does not have a year-specific option, so all representatives named will have access to all tax years/periods. As well, there is no means by which the methods of access can be specified, so when a business owner names a representative or representatives online, he or she is automatically authorizing online access, as well as access by telephone and mail.

Where a business owner wants to provide his or her representative or representatives with access to every taxation year of the business, using whatever method the representative chooses, then the online option makes sense. Business owners who don't wish to provide such broad access, or to be more selective in their choice of access methods or time frames, can use the paper option.

Filing an RC 59 – Business Consent Form

While undoubtedly slower, filing an authorization using hard copy of the Business Consent form provides the business owner with a degree of flexibility that the online option can't currently offer. That form can be found on the CRA website at www.cra-arc.gc.ca/E/pbg/tf/rc59/README.html.

Form RC 59 has several parts. Each part allows the business owner to make specific choices with respect to which program accounts a representative will have access, the taxation years for which such access will be provided and the level of access (Level 1 or 2, as outlined above) to be allowed.

Part 1 of the RC 59 requires the business owner to identify the business, by name and by BN.

In Part 2 of RC 59, the business owner can specify the methods which will be available to the named representative. Such methods can be limited to access by telephone or mail, or the representative can be allowed online access. Choosing to allow online access will also provide the representative with access by telephone and by mail. The choices made in Part 2 don't determine what level of access is to be provided to the representative – only the methods by which such access can be exercised.

Part 3 of RC 59 is where the business owner specifies the level of access to be provided to his or her representative. The following three choices are available:

- Level 1 access (information only) for **all** program accounts for **all** taxation years;
- Level 2 access (information and the ability to make changes) for **all** program accounts for **all** taxation years; or
- Program specific access, at a specified level, for specified taxation years.

The third option clearly offers the business owner the greatest amount of flexibility. To do so, he or she must complete Part 3 of the RC 59 in which the following can be specified:

- the program(s) to which the representative can have access;
- the authorization level to be provided to the representative with respect to that specific program;
- the fiscal years for which authorization for that program at that access level is to be provided (the option exists to allow access for all fiscal years, or to specify a fiscal year); and
- the date, if any on which such access will expire.



It's not hard to see how being able to customize access by a representative or representatives could be useful, and necessary. For instance, a business which employs an office administrator to handle company payroll will obviously need to provide that individual with the level of access to the business's payroll account needed to carry out the payroll function. However, there's no good reason to provide someone who handles only payroll with access to all of the business's account with the CRA. Imposing such limits will be particularly important where a third-party service provider is engaged – for instance, a business that engages a customs broker may find it useful to provide that broker with access to the business's import-export account, but is unlikely to want to provide it with similar access to confidential business tax and payroll information.

Removing a business representative

While it's undoubtedly useful to name a person or company as a representative for the business when necessary, it's likely even more important that such authorization be revoked when necessary. That's particularly the case because where an authorization is granted, by any means, and no specific expiry date is provided, that authorization continues in effect until the business owner takes positive action to cancel it. The need to do so can arise where the business no longer needs a representative or, more critically, when the person or company originally named as a representative should no longer have access to confidential business information. Where a third party service provider ceases to do work on behalf of the business, or an employee leaves, it's critical that their access to details of the tax or payroll affairs of the company – or their ability to act on the business's behalf in such matters – be terminated.

As is the case when naming a representative, terminating their authority can be done online or

by filing of an RC 59. Where a representative has been named through the CRA's online service, it's especially important that their authority be terminated as soon as possible, since their original grant of authority will have provided them with access to information or the authority to make changes for all tax years of the business.

If the business owner chooses to cancel one or more authorizations using the RC 59, he or she will have a number of options. The RC 59 will allow the business owner to:

- cancel all authorizations for all accounts;
- cancel all authorizations, but only for a specific individual or firm;
- cancel all authorizations, but only for a specific program account, or
- cancel the authorization for a specific named individual or firm, for a specific named program account.

The CRA's goal is to process an RC59 Form filed with it within about 15 business days after it is received. There may, however, well be circumstances in which a business owner needs to cancel an authorization more quickly than that – for instance, where the employment of an individual who has been named as an authorized representative is terminated for cause. A business owner who hasn't registered for My Business Account and so cannot effect an immediate cancellation using the CRA's online service can call the Agency's Business Enquiries number at 1-800-959-5525 to do so.

Finally, it should be noted that being able to name a representative to deal with the CRA on behalf of the business is a convenience, but it can never be an abdication of responsibility. Where a business owner takes the step of naming another person, firm or company as an authorized representative with the CRA, that business owner nonetheless remains responsible for all actions taken in the name of the business, even if he or she was unaware of, or did not direct or consent to those actions when they were taken. The nature and extent of that responsibility is clearly outlined on the RC59, which provides that "It is your responsibility to monitor and understand the transactions your representative is conducting on your behalf and to make sure that the information about your representative is current. . . . The CRA often adds new services that your representative can access. It is your responsibility to review the services and decide if your representative should still be authorized to represent you."