

Income Tax

IMP. 1010-4/R1

Notice of Reassessment and Loss Carry-over Election

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Reference(s): *Taxation Act* (CQLR., c. I-3), sections 727, 729, 731, 733.0.0.1 and 1010

This version of interpretation bulletin IMP. 1010-4 replaces the version of July 31, 1996. Only changes in respect of style and conformity were made.

This bulletin gives Revenu Québec's position concerning the necessity of issuing a notice of reassessment under paragraph (2) of section 1010 of the *Taxation Act* (the "TA") when Revenu Québec reviews a taxpayer's income for a taxation year and increases it.

APPLICATION OF THE ACT

1. Sections 727, 729, 731 and 733.0.0.1 of the TA allow a taxpayer to elect the year in respect of which the taxpayer wishes to deduct non capital losses, net capital losses, restricted farm losses and limited partnership losses.
2. In view of the possibility afforded a taxpayer to elect the year in which he or she wishes to deduct these losses, the Minister is not authorized to make this election in the taxpayer's place.
3. Consequently, when the Minister increases a taxpayer's income for a taxation year, the Minister can only use that taxpayer's deferrable losses to reduce the tax consequences of this modification if the taxpayer agrees to carry these losses over to the year concerned.
4. Furthermore, it is important to state that it is the Minister's policy, before increasing an assessment for a taxation year, to ask the taxpayer if he or she wishes to use deferrable losses to reduce or cancel the tax consequences of the modifications contemplated.
5. In every instance, a notice of reassessment is sent to the taxpayer in accordance with paragraph (2) of section 1010 of the TA, to allow the taxpayer to object to changes made by the Minister. In this respect, it should be stated that this obligation on the Minister's part exists even if the taxpayer accepts to carry losses over to the taxation year covered by these changes, which reduces to nil the tax consequences of the modifications.

6. The position expressed in this bulletin also applies if the Minister assesses a taxpayer under a power granted in a more specific provision of the TA, such as the power to make an assessment pursuant to sections 1010.0.1, 1010.0.2 and 1010.0.3.