



CHARTERED ACCOUNTANTS LLP

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CANADA REVENUE AGENCY REQUIREMENTS FOR KEEPING AND RETAINING RECORDS

WHO HAS TO KEEP RECORDS?

Records must be kept by every:

- person carrying on a business;
- person who is required to pay or collect taxes; and
- a registered charity or a non-profit organization.

RECORDS TO BE KEPT

“Records” include accounts, agreements, ledgers, journals, vouchers, financial statements, income and excise tax returns, and any other things containing information, whether written or in any other forms. All records must be supported by source documents, which include items such as sales and purchase invoices, cash register receipts, formal contracts, credit card receipts, deposit slips, work orders, cancelled cheques, bank statements, and correspondence whether written or in any other forms.

LOCATION OF RECORDS

The books and records must be kept at the person’s place of business or residence in Canada. It is understood that generally the Canada Revenue Agency (“CRA”) will permit records to be maintained outside of Canada. However, they must be made available in Canada for review by CRA upon request. Otherwise, you must allow CRA officials to review the records by traveling to the country where they are maintained at the expense of your business.

KEEPING RECORDS

The CRA recognizes:

- traditional books and records (including supporting documents) produced and retained in paper format; and
- records produced and retained in an electronically readable format that can be related back to the supporting documents and which are supported by a system capable of producing accessible and useable copy.

A person who is required to keep books and records is responsible for keeping them in a way that will ensure the reliability and readability of the information recorded. All books and records (including source

documents) that originate in paper format must be kept except where an acceptable imaging or microfilming program is in place. Paper format also includes paper source documents that are entered into an electronic record-keeping system.

A person who is required to keep records and who records them electronically must retain those records in an electronically readable format. This means that a person who uses computerized systems to generate books and records must retain the electronic records, even when a hard copy is kept. Electronically readable format means information that is supported by a system capable of producing an accessible and useable copy. Accessible copy means that the taxpayer must provide an acceptable copy of the electronic records in an electronically readable and useable format to CRA auditors to allow them to process the electronic records on CRA equipment. A copy is useable if the electronic records can be processed and analyzed with CRA software. It must be in a common data interchange format that is compatible with CRA software.

RETENTION PERIOD

In general, all books and records have to be kept for a minimum of **six years** from the end of the last tax year to which they relate. The tax year is the fiscal period for corporations and the calendar year for all other taxpayers. Under the *Employment Insurance Act* and *Canada Pension Plan*, the retention period begins at the end of the calendar year to which the books and records relate. If a return is filed late, the books and records must be kept for six years from the date the return is filed. Books and records necessary for dealing with a notice of objection or appeal must be kept until the notice of objection or appeal is disposed of and the time for filing any further appeal has expired.

Certain “permanent” books and records such as general ledgers must be kept for different periods:

- In the case of corporate dissolution, certain books and records such as general ledgers, special contracts or agreements and the meeting minutes of the directors and shareholders must be retained for two years from the date of the dissolution;
- For any non-incorporated business, the general ledgers and special contracts or agreements must be retained for six years from the end of the tax year in which the business ceased;
- For registered charities, the general ledgers, meeting minutes of the directors and members, by-laws governing the charity, records of donations received (other than receipts for donations of property which are to be held for a period of not less than ten years) must be retained for two years from the date the registration is revoked; and
- For the deceased taxpayer or a trust, books and records can be destroyed upon receipt of a clearance certificate issued concerning the distribution of all property.

Books and records may be destroyed at an earlier time than those outlined above if the Minister gives written permission for their disposal. To get such permission, a person can use Form T137, “Request for Destruction of Records”, or can apply in writing to his or her tax services office. The written request, signed by an authorized person, should provide the following information:

- A clear identification of books, records, or other documents to be destroyed;

- The tax years for which the request applies;
- Details of any special circumstances which would justify destroying the books and records at an earlier time than that normally permitted; and
- Any other pertinent information.

INADEQUATE RECORDS

If the CRA finds that books and records are inadequate, it will ordinarily request a written agreement that books and records be maintained as required. Within a reasonable period of time, the CRA will follow up the request by letter or visit to ensure compliance. If there has not been compliance within the time allowed, the CRA will issue a formal requirement letter, which describes the information to be recorded in the books and the legal consequences and penalties for failing to comply.

If you have any questions, please contact us at 604-536-7614 or 1-800-761-7772.

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