



CHARTERED ACCOUNTANTS

Books and Records Retention/Destruction

Who has to keep books and records?

Books and records must be kept by every:

- Person carrying on a business;
- Person who is required to pay or collect taxes or other amounts according to the Acts;
- Registered charity or registered Canadian amateur athletic association; and
- Registered agent of a political party or an agent for a candidate in a federal election.

A “person” includes a corporation, a trust, a registered charity, a registered Canadian amateur athletic association, and a non-profit organization.

Records to be kept

The Department **does not** specify the records and books to be kept. However records have to:

- Permit the taxes payable or the taxes or other amounts to be collected, withheld, or deducted by a person to be determined;
- Prove the qualification of registered charities or registered Canadian amateur athletic association for registration under the Act;
- Permit the verification of all charitable, athletic, and political donations received for which a deduction or tax credit is available; and
- **Be supported by source documents that verify the information in the records and books of account**

Location of records

The records and books of account have to be kept at the person’s place of business or residence in Canada or another place designated by the Minister and have to, upon request, be made available to officers of the CRA for audit purposes at all reasonable times.

Methods of keeping records

The CRA recognizes records and books of account as:

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

All records and books of account that are in paper format have to be kept except where an acceptable imaging or microfilming program exists. Paper format includes paper **source documents** from which data is entered into an electronic record-keeping system.

Imaging

Source documents and records that are in an electronically readable format must be kept in addition to the microfilm and/or electronic image.

Electronic records

The electronic records must show an audit trail from the **source documents**, whether paper or electron, to the financial accounts.

The Department occasionally enters into agreements to keep specific files of electronic records to be used during audits; these files should be kept for the period referred to below.

Retention period

The required retention periods can be summarized as follows:

- For a corporation, two years from the date of termination of the corporation (this includes the merger of two or more corporations);
- For non-incorporate businesses, six years from the end of the tax year in which the business ended;
- For records relating to political contributions/donations, two years from the end of the calendar year to which they relate;
- Or until the Minister gives written permission for their disposal

Exceptions to the rules outlined above are:

- Books of accounts and records may be destroyed at an earlier time than outlined if the Minister gives written permission for their disposal. To get such permission, a person can use Form T137. A written request 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 normally permitted;
 - Any other relevant information.
- If a return is filed late, the books and records referred to above must be kept for **six years** from the day the return is filed.

The minimum retention period for records is generally determined by the last tax year when a record may be required for purposes of the Act, and not the year when the record was created.

Inadequate records

If the CRA finds that records and books of account are inadequate and there has been no compliance within the time allowed, the Department will issue a formal requirement letter. The letter describes the information to be recorded in the books and describes the legal consequences and penalties for failing to comply. Failure to comply with the letter within a specified period of time may result in prosecution by the Department.

A person who destroys or otherwise disposes of records or books of account to evade the payment of tax is subject to prosecution.

Source: CRA Information Circular 78-10R3

To speak with a Professional concerning your Income Tax Compliance matters,
please call us at **905.886.7735** or email **jerry@sloangroup.ca**