

# Records Retention

*What do I have to keep & How long?*

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## Overview

This information circular will outline the types of files and records you need to keep as well as the length of time the information must be kept, based upon CRA standards, Labour Law and Provincial Standards.

The rules are different for virtually every jurisdiction; never destroy or otherwise dispose of records or files until you are certain that the appropriate period of time has elapsed.

The information contained herein is intended for reference purposes only, when a question arises, you should always consult the appropriate CRA Guides or other resources as may be necessary.

This guide is divided into sections for each relevant topic, ***The Table of Contents references are active links***, in other words, if you click on a line in the Table of Contents, it will take you to that page.

Sections of this manual may refer to Interpretation bulletins, CRA tax guides, Forms and other materials. When possible, a referred guide or form may be accessed by clicking on the referenced hyperlink. These links in most cases will refer you to a web page; therefore, your Internet connection should be active.

Example link: [more information](#)



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## **Records Retention**

Time requirements for retaining records vary by jurisdiction as well as by government agency. Compliance issues may also arise regarding the method of retention as well as the location of books and records. This document is a guideline for records retention, if you are ever unsure of the rules in your area, contact the Director of the local tax services office or the appropriate agency.

### **Who has to keep books and records?**

Under the Income Tax Act, the following person/organizations must keep books and records:

- Any person carrying on a business
- Any person who is required to pay or collect taxes or other amounts
- Registered Charities
- Registered Amateur Athletic Associations
- Registered Agents of a registered political party or an official agent for a candidate in a federal election.

### **General Retention Rules:**

The general rule requires taxpayers to retain adequate records and books of account, including electronic records, even when a hard copy is kept, for at least 6 years from the end of the last taxation year. The taxation year is the fiscal year for corporations and the calendar year for individuals and sole proprietors.

Most of the provinces specify what constitutes adequate records, however, if it is not specified, it is understood that the records are to be kept the same as those for federal tax purposes.

### **Records to be Kept:**

Under the Income tax act, included as records are: An account, an agreement, a book, a chart or table, a diagram, a form, an image, an invoice, a letter, a map, a memorandum, a plan, a return, a statement, a telegram, a voucher, and any other thing containing information, whether in writing or any other form.

As a general rule, CRA does not specify the records and books to be kept, however, records and books of account have to:

- Permit the taxes payable or the taxes or other amounts to be collected, withheld, or deducted by a person or business, to be determined;
- Substantiate the qualification of registered charities
- Substantiate the qualification of amateur athletic associations
- Permit the verification of all charitable, athletic and political contributions received for which a deduction or tax credit is available
- Be supported by source documents that verify the information in the records and books of account.



For the act, a source document includes items such as sales invoices, purchase invoices, cash register receipts, formal written contracts, credit card receipts, delivery slips, deposit slips, work orders, docketts, cheques, bank statements, tax returns and general correspondence.

### **Location of Records:**

The records and books of account have to be kept at the person's place of business, residence in Canada or another place designated by the CRA. Upon request, records must be made available to officers of the Canada Revenue Agency, Provincial Ministry of Finance and other governing bodies. These records must be available at all reasonable times.

Records and books kept outside of Canada and accessed electronically from Canada are not accepted as records and books of account in Canada. Access to physical records means direct, physical contact to the medium on which the records are stored.

### **Methods of Keeping Records:**

The Canada Revenue Agency recognizes as records and books of account the following:

- The traditional records and books of account, including supporting documents, produced and retained in paper format.
- Records and books produced and retained in an electronically readable format that corresponds to the supporting documents.

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

A person or business that is required to keep records and records them electronically, must keep the electronic (computerized) records even when the paper records are kept.

### **Responsibilities of Record Keeper:**

- Electronic records must show an audit trail from the source documents to the financial accounts. Where no paper records exist, the electronic records, including acknowledgements must be kept.
- A person that keeps electronic records is not relieved of any record keeping responsibilities, even if they contract out the record keeping to a third party such as accountants and bookkeepers.
- A person that uses a third party software solution such as Simply Accounting or QuickBooks is not relieved of responsibility if there are deficiencies in the software.
- When records are converted from one format to another, it is the responsibility of the record keeper to ensure the information is converted correctly.
- The record keeper must ensure that proper back-up records are maintained at all times, if the records are lost, destroyed, or damaged, the person must report this situation to the Director of the local tax office and recreate the records in a reasonable period of time.



## Retention Periods:

Before disposing of any records, it is important to remember some records must be kept indefinitely. These include shareholder and director minute books, share registers, general ledgers, tax returns, and special contracts and agreements. Fixed asset and depreciation records are necessary to establish the capital cost of assets and may be important to establish the base for capital gains purposes.

The required retention period for documents is as follows:

- For a corporation, two years from the date of dissolution of the corporation.
- If a corporation merges or amalgamates, the books and records must be retained on the basis that the new corporation is a continuation of each amalgamating corporation.
- For any non-incorporated business, six years from the end of the tax year in which the business ceased.
- For the duplicate receipts of a registered charity, 2 years from the end of the calendar year in which the donations were made
- Donations of property to registered charities, records are to be held for a period of not less than 10 years.
- For the duplicate receipts of an amateur athletic association, 2 years from the end of the calendar year in which the donations were made
- Donations of property to amateur athletic associations, records are to be held for a period of not less than 10 years.
- For other records of registered charities and amateur athletic associations, two years from the date the registration is revoked.
- For records relating to political party contributions, 2 years from the end of the calendar year to which they relate.

## Exemptions to Rules:

Records may be destroyed earlier than specified above, if the Minister of Finance gives written permission for their disposal. To get permission, a person can use form T137, Request for Destruction of Books and Records, or by applying to the Director of the local tax services office. A written request, signed by an authorized person, needs to include the following:

- A clear identification of books and 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 records at an earlier time than normally permitted.
- Any other relevant information

The Minister may also, via registered letter, demand that records be kept longer than required by legislation.

If a tax return is filed late, the books and records must be kept for six years from the filing date.

Every book and record, source documents etc., must be kept when dealing with a notice of objection or an appeal, until such time as the objection or appeal is disposed of and the time for filing another appeal has expired.



## **Inadequate Records:**

If a record keeper fails to keep adequate records and books, the Minister can specify what records or books of account are to be kept.

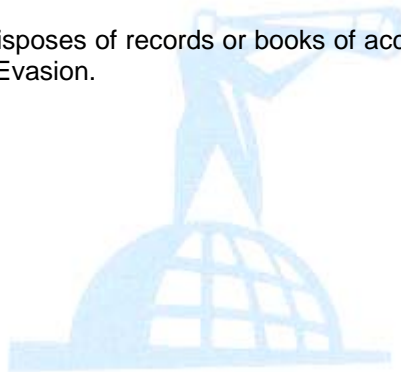
If CRA finds that records and books of account are inadequate, the Department will ordinarily request a written agreement that books and records be maintained as required. Within a reasonable period of time, generally not less than 1 month, the Department will follow up the request by letter or visit to ensure that the record keeper has complied.

If there has been no compliance within the time allowed, the Department will issue a formal letter. The letter describes the records and books to be kept and the legal consequences and penalties for failing to comply. Failure to comply with the requirements within the time specified may result in prosecution by the Department.

## **Penalties for Non-Compliance**

If a person fails to comply with the requirements of record keeping, upon summary conviction, CRA can impose a fine of not less than \$1,000.00 or both, a fine and imprisonment. This is in addition to any other penalties imposed.

A person who destroys or otherwise disposes of records or books of account to avoid paying taxes is subject to prosecution, under the rules of Tax Evasion.



## **Provincial Regulations:**

### ***Alberta***

Follows CRA guidelines

### ***British Columbia***

Records must be maintained until written permission for their destruction is obtained from the Consumer Taxation Branch.

### ***Manitoba***

The books of account, records and documents of a person carrying on business in Manitoba must be retained for audit purposes. However, the business may destroy certain old records and documents, without having to obtain permission from the Taxation Division, providing that all of the following conditions are met:

- Books of account, records and documents of the current fiscal year plus the immediately preceding six years must not be destroyed.
- Books of account, records and documents must not be destroyed for any year in respect of which there are tax amounts outstanding or in dispute, or where written notice has been given from the Taxation Division requesting that those books of account, records and documents be retained.
- Written authorization has been given by the taxation division.

**Please Note:** General ledgers are to be retained indefinitely and not destroyed.

### ***New Brunswick***

Effective August 1 2003, records are to be retained for a period of six years after the end of the fiscal period to which the records relate. A calendar year is applicable for individuals.

For corporations and partnerships that are dissolved, records must be retained for a period of two years from the dissolution date.

Applications can be made to the minister for destruction of records prior to these dates.

### ***Newfoundland & Labrador***

Records must be maintained until written permission for their destruction is obtained from the Minister of Finance.

### ***Northwest Territory***

Every Vendor or registered consumer must retain all books, accounts, records and source documents for a minimum of six years after the last taxation year to which they relate. When a return has been filed late, the records must be kept for six years from the day the return is filed.

### ***Nova Scotia***

Retail Vendors records must be kept for six years after the year to which they apply, or for such other period as requested by the commissioner. Wholesale vendors must obtain written permission from the commissioner before the destruction of records is permitted. If a vendor serves a notice of objection, the vendor must retain all records pertaining to the objection until the appeal is completed.



## ***Nunavut***

Follows CRA guidelines

## ***Ontario***

As a general rule, the Ministry of Finance does not specify which records are to be kept, however, books and records must:

- Indicate the taxes payable and/or how the taxes or other amounts to be collected have been determined.
- Substantiate any tax-exempt status claimed.
- Permit verification of all deductible charitable, athletic or political contribution donations made
- Be supported by vouchers or other source documents necessary to verify the information in the books and records.

General consent to destroy the books or records is given when the following conditions are met:

- The books and records must relate to a year that began more than 7 years from the beginning of the current fiscal year.
- The books and records to be destroyed must relate to a period for which all tax returns required have been filed and all taxes assessed for that period have been paid.
- You must have no outstanding discrepancy with the Ontario Ministry of Finance or any other taxing jurisdiction with respect to the period for which the records to be destroyed apply.
- The time limit for filing a Notice of Objection or appeal for the period must have expired without the filing of such notice of objection or appeal. If an objection or appeal has been filed, the records must be kept until the objection or appeal is completed or dismissed.
- You must have satisfied all demands by the ministry to produce the books and records to be destroyed.
- The books and records to be destroyed must not be ones that the Ministry has told you, in writing to keep
- The books and records must not relate to any waivers filed under the Corporations Tax Act, The Income Tax act, the Mining Tax Act or Employer Health Tax Act.

Records may be destroyed earlier than specified above, if the Minister of Finance gives written permission for their disposal.

## ***Prince Edward Island***

Records must be maintained until written permission for their destruction is obtained from the Provincial Tax Commissioner.

## ***Quebec***

Records, registers (including annual inventory) and supporting documents must be retained for six years from the end of the last taxation year to which they apply.

When a return has been filed late, the records must be kept for six years from the day the return is filed.

Records dealing with an objection or an appeal, must be retained until the objection or appeal has been completed or disposed of.

The Ministère du Revenu may demand that a taxpayer keep records longer than directed above, and may also give written permission for the early destruction of records.



### ***Saskatchewan***

Every Vendor or registered consumer must retain all books, accounts, records and source documents for a minimum of six years after the last taxation year to which they relate.

### ***Yukon***

Follows CRA guidelines

### **Other Regulations:**

#### ***GST***

Records must be kept for six years from the end of the last taxation year to which they relate, all other rules as per CRA detailed above.



## **Retention of Payroll and Employee Records:**

### ***Alberta***

All records must be retained for 3 years subsequent to the period the records pertain to.

### ***British Columbia***

All records must be retained for 2 years subsequent to the period the records pertain to.

### ***Manitoba***

All records must be retained for 3 years subsequent to the period the records pertain to.

### ***New Brunswick***

All records must be retained for 3 years subsequent to the period the records pertain to.

### ***Newfoundland & Labrador***

All records must be retained for 4 years subsequent to the period the records pertain to.

### ***Northwest Territory***

All records must be retained for 2 years subsequent to the period the records pertain to.

### ***Nova Scotia***

All records must be retained for 1 year subsequent to the period the records pertain to.

### ***Nunavut***

All records must be retained for 2 years subsequent to the period the records pertain to.

### ***Ontario***

All records must be retained for 3 years subsequent to the period the records pertain to.

### ***PEI***

All records must be retained for 3 years subsequent to the period the records pertain to.

### ***Quebec***

All records must be retained for 3 years subsequent to the period the records pertain to.

### ***Saskatchewan***

All records must be retained for 5 years subsequent to the employee's termination.

### ***Yukon***

All records must be retained for 1 year subsequent to the period the records pertain to.



