



Viewfinder

Guidance at every turn



RECORD RETENTION

HOW LONG ARE WE REQUIRED TO RETAIN RECORDS?

Rules for record retention and destruction, vary from jurisdiction to jurisdiction and among all levels of government. Most provinces state their policy on record retention through their respective legislation. If it is not specified, then the same rules apply to the particular province as those of Canada Revenue Agency (CRA).

CRA's general rules provide the following:

- general ledger (or other book of final entry) and any special contracts or agreements necessary to an understanding of the entries in the general ledger, must be retained for 6 years after the last day of the taxation year in which the business ceased for an individual or 2 years after dissolution if a corporation.
- corporate minutes books, share ownership and share transfer registers must be retained for 2 years following dissolution of the corporation.
- in an ongoing business, most other records (e.g. invoices) must be retained for 6 years after the last day of the taxation year to which they relate.
- earlier destruction of records may be allowed with written permission from CRA.

If records are maintained electronically then the computer records must be in an electronically readable format even when a paper copy of the records has been kept. It is the responsibility of the taxpayer to ensure the trustworthiness and readability of the information recorded.

The records of account have to be kept at the entity's or person's place of business or residence in Canada and have to be available, upon request from the Minister, for audit purposes. A taxpayer, who destroys or otherwise disposes of records or books of account to evade the payment of tax is subject to prosecution by the Minister.

Even after the retention requirement has expired, it may be desirable to retain certain documents. For example, those that support the purchase of any property, plant or equipment will prove helpful, in determining the adjusted cost base and the resultant capital gain or loss on final disposition.

Your professional advisor at Stern Cohen, will be pleased to discuss and provide more details on the issue of record retention.