

# GST/HST Memoranda Series

## 15.1 General Requirements for Books and Records

June 2005

### Overview

This memorandum explains the requirements under the *Excise Tax Act* (the Act) for registrants and certain non-registered persons to retain and make available books and records, documents and other information. Such records should enable the determination of the tax charged and remitted on taxable supplies of goods and services as well as the tax paid on business purchases and claimed as an input tax credit or rebate.

For ease of reference, this memorandum takes as its title the generally accepted expression “books and records”. However, please note that this expression does not accurately reflect the definition assigned in subsection 123(1) of the Act to the word “record” which includes a book, an account, a statement, a voucher an invoice, a letter, a telegram, an agreement and a memorandum, whether recorded in writing or in some other manner and whether or not some process must be applied to the record to make it readily “intelligible”. Furthermore, in this memorandum, reference is made to “document” and “information”. While information is undefined in the Act, the term “document” is defined in subsection 123(1) to “include money, a security and a record”.

### Disclaimer

The information in this memorandum does not replace the law found in the *Excise Tax Act* and its Regulations. It is provided for your reference. As it may not completely address your particular operation, you may wish to refer to the Act or appropriate Regulation, or contact a Canada Revenue Agency (CRA) GST/HST Rulings Centre for more information. These centres are listed in GST/HST Memorandum 1.2, *Canada Revenue Agency GST/HST Rulings Centres*. If you wish to make a technical enquiry on the GST/HST by telephone, please call the toll-free number 1-800-959-8287.

If you are located in the Province of Quebec, please contact Revenu Québec by calling the toll-free number 1-800-567-4692 for additional information.

### Note

This memorandum cancels and replaces GST/HST Memorandum 15.1, *General Requirements for Books and Records*, dated July 1999.

### Note – HST

Reference in this publication is made to supplies taxable at 7% or 15% (the rate of the HST). The 15% HST applies to supplies made in Nova Scotia, New Brunswick, and Newfoundland and Labrador (the “participating” provinces). If a person is uncertain as to whether the supply is made in a participating province, the person may refer to Technical Information Bulletin B-078, *Place of Supply Rules under the HST*, available from any Canada Revenue Agency (CRA) tax services office.



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La version française de ce document est intitulée *Exigences générales relatives aux livres et registres*.

**Canada**

## Table of Contents

Record-keeping requirements.....	2
Methods of retaining records.....	2
Place of retention.....	5
Access to records.....	5
Provision of records.....	6
Retention of records.....	6
Permission for prior disposal of records.....	7
Specific provisions.....	8
Foreign-based information or document.....	8
Invoicing requirements.....	8
Offences and penalties.....	9
CRA interpretations of certain terms relevant to this publication.....	10

### Record-keeping requirements

- Keeping books and records  
ss 286(1)
1. Persons carrying on a business or engaged in a commercial activity in Canada, persons who are required to file a GST/HST return, and persons who make an application for a rebate or refund are required to maintain adequate books and records in English or French in Canada, or at such other place and on such terms and conditions as specified in writing by the Minister, to enable the determination of their tax liabilities and obligations, or the amount of any rebate or refund to which they are entitled.
2. The books and records are required to be in an appropriate form and to contain sufficient information to allow determination of the amount of tax to be paid or collected, or the amount to be refunded, rebated or deducted from net tax.
- Inadequate records  
ss 286(2)
3. If a person has failed to keep adequate records, the Minister may specify the records that the person is required to keep. In this instance, the CRA will ordinarily request a written agreement that the records be maintained as required. Within a reasonable period of time, usually not less than a month, the CRA will follow up the request by letter or visit to ensure compliance.

### Methods of retaining records

4. Books and records may be in a number of forms, including:
- Traditional
- (a) traditional books and records, including supporting source documents produced and retained in paper format;
- Electronic
- (b) records retained in an electronically readable format that can be related back to the supporting source documents and that are supported by a system capable of producing accessible and useable copy. More information is available in GST/HST Memorandum 15.2, *Computerized Books and Records*; and
- Working papers
- (c) supporting documents (e.g., an accountant's working papers), whether in writing or in any other form that assist in the determination of GST/HST obligations and entitlements.

5. Persons who are required to keep books and records are responsible for retaining them in a manner that will ensure the reliability and readability of the information recorded.

6. All books and records as well as source documents that originate in paper format must be retained in such format except where an acceptable imaging or microfilming program is in place (see paragraphs 10 to 16 for more information). Paper format also includes paper source documents that are entered into an electronic record keeping system.

Electronic records  
ss 286(3.1)

7. Every person required to keep records, who does so electronically, is required to retain the records in an electronically readable format. This means that a person who utilizes computerized systems to generate books and records must retain the electronic records even when hard copy is retained. Electronically readable format means information supported by a system capable of producing accessible and useable copy.

- Accessible copy means that the registrant must provide a copy of the electronic records in an electronically readable and useable format to the CRA auditors to permit them to process the electronic records on CRA equipment.
- A copy is useable if the electronic records can be processed and analysed with CRA software.
- The useable copy must be in a common data interchange format that is compatible with the CRA's software.
- Electronic files retained in an encrypted or proprietary backup format must be capable of being restored at a later date to an accessible and useable state to meet the CRA's requirements.

More information

8. Questions concerning the types of formats that are compatible with the CRA's software should be directed to the attention of the Electronic Commerce Audit Specialist (ECAS) at the nearest CRA tax services office. Advice provided by the ECAS must not be construed or viewed as an audit, inspection or a ruling issued by the CRA. It is the registrant's responsibility to keep, maintain, retain and safeguard its records.

9. Every person should ensure that proper back-up procedures are implemented at all times to ensure that records and/or electronic data files are backed up or copied to an electronic medium that will be accessible at a later date. If any machine-sensible records or electronic data files required to be maintained are lost, destroyed or damaged, the person must report this situation to the CRA and recreate the files within a reasonable period of time.

Imaging

10. When original source documents and records are in an electronic format, they must be kept in an electronically readable format even if they have been transferred to another medium such as microfilm.

11. To ensure the reliability, integrity and authenticity of electronic records, the pending national standards publication entitled *Electronic Records as Documentary Evidence* (CAN/CGSB-72.34 2005) will outline electronic record management policies, procedures, practices and documentation that will assist in establishing the legal validity of an electronic record.

## 15.1 General Requirements for Books and Records

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12. Electronic image means the representation of a source document that can be used to generate an intelligible reproduction of that document, or the reproduction itself. In the case of a paper source document, an intelligible reproduction means that:

- the reproduction is made with the intention of standing in place of the source document;
- the interpretation of the reproduction, for the purposes for which it is being used, gives the same information as the source document; and
- the limitations of the reproduction (e.g., resolution, tone or hues) are well defined and do not obscure significant details.

13. Imaging and microfilm (including microfiche) reproductions of books of original entry and source documents must be produced, controlled and maintained in accordance with the latest national standard of Canada as outlined in the publication entitled *Microfilm and Electronic Images as Documentary Evidence* (CAN/CGSB-72.11-930).

The above-mentioned standards publications are available from the Canadian General Standards Board.

**Mailing address:**

CGSB  
Canadian General Standards Board  
Gatineau Canada  
K1A 1G6

**Street address:**

Place du Portage Phase III, 6B1  
11 Laurier Street  
Gatineau QC

**Telephone numbers:**

(819) 956-0425 or  
Toll free 1-800-665-2472

**Fax number:** (819) 956-5644

**E-mail:** [ncr.cgsb-ongc@pwgsc.gc.ca](mailto:ncr.cgsb-ongc@pwgsc.gc.ca)

Managing retention and disposal

14. An acceptable imaging program (see paragraph 13) requires that:

- (a) a person in authority in the organization has confirmed in writing that the program will be part of the usual and ordinary activity of the organization's business;
- (b) systems and procedures are established and documented;
- (c) a log book is kept showing:
  - (i) the date of the imaging;
  - (ii) the signatures of the persons authorizing and performing the imaging;
  - (iii) a description of the records imaged;
  - (iv) whether source documents are destroyed or disposed of after imaging, and the date a source document was destroyed or disposed of;

- (d) the imaging software maintains an index to permit the immediate location of any record, and the software inscribes the imaging date and the name of the person who does the imaging;
- (e) the images are of commercial quality, and are legible and readable when displayed on a computer screen or reproduced on paper;
- (f) a system of inspection and quality control is established to ensure that (c), (d) and (e) above are maintained; and
- (g) after reasonable notification, equipment in good working order is available to view, or where feasible, to reproduce a hard copy of the image.

15. Paper source documents that have been imaged in accordance with the latest national standard of Canada (see paragraph 13) may be disposed of and their images kept as permanent records.

16. The registrant is responsible for ensuring that the imaging is done in an acceptable manner when the imaging has been done by a third party.

### Place of retention

17. Books and records must be maintained in Canada. However, permission to maintain books and records elsewhere may be granted, subject to such terms and conditions as may be specified, in writing, by the Minister.

18. Non-residents who wish to receive permission to maintain records at a specific location outside Canada should contact the nearest CRA tax services office. Once a review has been conducted, the non-resident will be notified in writing whether or not permission has been granted, and what, if any, conditions apply in conjunction with this permission.

### Access to records

Inspections  
ss 288(1)

19. A person authorized by the Minister for this purpose may, at all reasonable times, inspect, audit or examine the documents, property or processes of a person that may be relevant in determining the obligations of that or any other person, or the amount of any rebate or refund to which that or any other person is entitled and may:

- (a) enter any premises or place (other than a dwelling-house – see paragraph 20) in which case a warrant is required) where any business or commercial activity is carried on, any property is kept, anything is done in connection with any business or commercial activity or any documents are or should be kept; and
- (b) require the owner or manager of the property, business or commercial activity and any other person on the premises or in the place to give the authorized person all reasonable assistance and to answer all proper questions relating to the administration or enforcement of Part IX of the Act and, for that purpose, require the owner or manager to attend at the premises or place with the authorized person.

Prior authorization  
ss 288(2)

20. Where any premises or place is a dwelling-house, an authorized person may not enter that dwelling-house without the consent of the occupant, except under the authority of a warrant issued pursuant to a court order.

## 15.1 General Requirements for Books and Records

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- Definition of dwelling house  
s 287
21. Dwelling-house means the whole or any part of a building or structure that is kept or occupied as a permanent or temporary residence, and includes
- (a) a building within an area attached to a dwelling-house that is connected to it by a doorway or by a covered and enclosed passageway, and
  - (b) a unit that is designed to be mobile and to be used as a permanent or temporary residence and that is being used as such a residence.

### Provision of records

- Requirement to provide documents or information  
ss 289(1) and (2)
22. The Minister may require a person to provide any information (except in certain circumstances that are in respect of one or more unnamed persons), including a GST/HST return or any document for any purpose related to the administration or enforcement of Part IX of the Act, including the collection of any amount payable or remittable by any person, within a reasonable time as stipulated in a registered or certified letter or a notice served personally. The provision of information or documents relating to one or more unnamed persons may be required where the Minister first obtains the authorization of a judge.

- Requirement to provide copies of documents  
ss 291(1)
23. Where any document in paper or electronic format is seized, inspected, examined or provided under any of sections 276 and 288 to 290, the person who seizes, inspects or examines it or another officer of the CRA is entitled to make or cause to be made a copy of the document. This printed or electronic copy, certified as such by the Minister or an authorized person, has the same probative value as the original document. In the case of electronic records, this person can make a print-out of such electronic documents and the print-out as well as the original electronic document will be considered evidence of the nature and content of the original document, and will have the same probative force as the original document.

### Retention of records

- Period of retention  
ss 286(3)
24. Persons carrying on a business or engaged in a commercial activity, persons who are required to file a GST/HST return, and persons who make an application for a rebate are required to keep their books and records for a period of **six years** from the end of the latest year to which they relate.
- Electronic records  
ss 286(3.1)
25. Persons who keep records electronically are required to retain them in an electronically readable format for a period of **six years** from the end of the latest year to which they relate. This means that a person must retain the electronic records even when hard copy is available.
- Minimum retention period
26. The minimum retention period for books and records is generally determined by the last year when a record may be required for purposes of the Act, and not the year when the transaction occurred and the record was created. For example, records supporting the acquisition and capital cost of property should be maintained until the day that is six years from the end of the last year in which such an acquisition could enter into any calculation for GST/HST purposes, including the basic tax content of the property.

- Third party service providers 27. A person who keeps records whether in writing or any other form is not relieved of any of the record keeping, readability, retention, and access responsibilities because the person contracts out the record-keeping function to a third party such as a bookkeeper, accountant, internet transaction manager, application service provider, or internet service provider, through a time share, service bureau, or other such arrangements. The person must ensure that the requirements continue to be met in the event of third party changes such as software and/or hardware conversions and upgrades, bankruptcy or migration to/from a third party. The person is responsible for keeping the records and for providing access to authorized persons.
- Exceptions ss 286(3.2) 28. The Minister may exempt a person or class of persons from the requirement to retain their electronic records under such terms and conditions as are acceptable to the Minister.
- Objection or appeal ss 286(4) 29. Every record that pertains to the subject matter of a notice of objection, appeal or reference must be retained until the objection, appeal or reference and any appeal therefrom is finally disposed of.
- Demand by Minister ss 286(5) 30. The Minister may, by a demand served personally or by registered or certified mail, require any person who is required to keep records under section 286 to retain those records for such additional period of time as is specified in the demand.

### Permission for prior disposal of records

- Earlier disposal ss 286(6) 31. A person required to keep records may dispose of these records before the end of the normal retention period, if written permission for their disposal is given by the Minister. To obtain such permission, a person must apply in writing to the Director of the nearest CRA tax services office. The request must be signed by the person or an authorized representative, and must contain the following information:
- (a) specific identification of the books, records or other documents to be destroyed;
  - (b) type of documents (e.g., electronic records stored on tapes, disks, etc.);
  - (c) the years for which the request applies;
  - (d) indication of any outstanding appeal, objection or reference;
  - (e) details of any special circumstances which would justify destruction of the books and records at an earlier time than is normally permitted; and
  - (f) any other pertinent information.
32. Permission for prior disposal of GST/HST books and records applies only to GST/HST records. Such permission does not extend to other laws and authorities, which require the retention of books and records.

## 15.1 General Requirements for Books and Records

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### Specific provisions

#### Foreign-based information or document

- ss 292(1) 33. The term ““foreign-based information or document” refers to any information or document that is available or located outside Canada and that may be relevant to the administration and enforcement of Part IX of the Act, including the collection of any amount payable or remittable under Part IX of the Act by any person.
- Requirement to provide foreign-based information ss 292(2) and 326(1) 34. The Minister may, by notice served personally or by registered or certified mail, require a person resident in Canada or a non-resident person who carries on business in Canada, to provide any foreign-based information or document. It is an offence not to produce any foreign-based information, as and when required.

#### Invoicing requirements

- Disclosure of tax s 223 35. The Act imposes certain requirements with respect to the disclosure of the tax on invoices, receipts or written agreements to provide recipients with sufficient information to enable them to ascertain whether they have satisfied their liability to pay tax on taxable supplies. A person who makes a taxable supply must furnish, upon request, sufficient information, in writing, to substantiate a claim for an input tax credit (ITC) or rebate.
- Disclosure of tax ss 223(1) and (1.1) 36. Registrants who make taxable supplies (other than zero-rated supplies) of goods and services and are required to collect the tax must disclose to the recipients that the tax has been charged on the supplies in one of the following three ways:
- (a) by indicating on receipts, invoices or in written agreements the consideration paid or payable by the recipient and the actual amount of tax payable in respect of the supply in a manner that clearly indicates the amount of tax;
  - (b) by indicating on receipts, invoices or in written agreements that the amount paid or payable includes the tax payable in respect of the supply; or
  - (c) if the registrant chooses to indicate the tax on invoices, receipts or written agreements, the total amount of tax payable or the total of the rates (7% or 15%) at which tax is payable must be indicated on the invoices, receipts or agreements.
- Information for ITC purposes ss 169(4) 37. There are also requirements for documentation that a registrant must obtain and maintain to support a claim for an ITC. While these requirements do not impose any restrictions on the form of the documents issued or maintained, they do require that certain information be contained in or on those documents or records. Details concerning the information that registrants are required to furnish to their customers on request in order that those customers may substantiate their ITC claims will be available in Memorandum 8.4, *Documentary Requirements for Claiming Input Tax Credits*, of Chapter 8, *Input Tax Credits: Eligible ITCs*, of the GST/HST Memoranda Series.
- More information on disclosure of tax 38. Further information on the prescribed manner of disclosing the tax payable to recipients of supplies of telephone services through coin-operated telephones and parking spaces using parking meters is available in the *Disclosure of Tax (GST/HST) Regulations*, and will be available in Memorandum 8.4, *Documentary Requirements for Claiming Input Tax Credits*, of Chapter 8, *Input Tax Credits: Eligible ITCs*, of the GST/HST Memoranda Series.



## Offences and penalties

- Failure to provide information  
ss 284
39. Every person who fails to provide any information or document as required under Part IX of the Act or under a regulation made under this Part is liable to a penalty of \$100 for each failure, unless the Minister waives the penalty, or, in the case of a failure to provide information in respect of another person, a reasonable effort was made by the person to obtain the information.
- False statements or omissions  
ss 285
40. Every person who knowingly or under circumstances amounting to gross negligence makes or is a party to the making of a false statement or omission in a return or other document made with respect to a reporting period or transaction is liable to a penalty equal to the greater of \$250 and 25% of the amount by which any tax amount owing is reduced or rebate is increased as a result of the false statement or omission.
- Compliance order  
ss 289.1(1)
41. Under subsection 289.1(1), the Minister may apply to the court to have issued a compliance order where a judge would order the person to provide any access, assistance, information or document sought by the Minister under section 288 or 289. If a person fails or refuses to comply with this order, a judge may find the person in contempt of court and the person is subject to the processes and the punishments of the court to which the judge is appointed.
- Offences  
ss 326(1)
42. Every person who has failed to keep records as specified by the Minister, to make them available for inspection, audit or examination, to comply with a request to produce documents or information, or to produce foreign-based information or documents is guilty of an offence and, in addition to any penalty otherwise provided, is liable on summary conviction to:
- (a) a fine of not less than \$1,000 and not exceeding \$25,000; or
  - (b) such a fine and imprisonment for a term not exceeding 12 months.
- General offence  
ss 329(2)
43. Every person who fails to comply with any provision of Part IX of the Act, for which no other penalty is provided under Subdivision f of Division VIII of the Act, is guilty of an offence punishable on summary conviction and liable to a fine not exceeding \$1,000.

## CRA interpretations of certain terms relevant to this publication

- Microfilm
- Microfilm means the reproduction of records in a reduced form by any process such as microfiche, magnetic tapes and discs, thermo-plastic recording and facsimile transmissions, or the recording of microphotographs on film.
- Source document
- Source document includes sales invoices, purchase invoices, cash register receipts, formal written contracts, credit card receipts, delivery slips, deposit slips, work orders, dockets, cheques, bank statements, tax returns, or general correspondence, whether in writing or in any other form.

## 15.1 General Requirements for Books and Records

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### ENQUIRIES

If you wish to make a **technical enquiry** on the GST/HST by telephone, please call one of the following toll-free numbers:

1-800-959-8287 (English service)

1-800-959-8296 (French service)

**General enquiries** about the GST/HST should be directed to Business Enquiries at one of the following toll-free numbers:

1-800-959-5525 (English service)

1-800-959-7775 (French service)

If you are in Quebec, please call the following toll-free number:

1-800-567-4692 (Revenu Québec)

All of the memoranda in the GST/HST Memoranda Series are available on the CRA Web site at [www.cra-arc.gc.ca/tax/technical/gsthst-e.html](http://www.cra-arc.gc.ca/tax/technical/gsthst-e.html).