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SUBJECT Retention of Books and Records

SECTION 230(4), Regulation 5800

Please note that the following document, although believed to be correct at the time of issue, may not represent the current position of the CRA. Prenez note que ce document, bien qu'exact au moment émis, peut ne pas représenter la position actuelle de l'ARC.

PRINCIPAL ISSUES: (1) What is the required retention period for the books and records of a corporation? (2) What is the required retention period for the books and records of a corporation that is dissolved? (3) What is the required retention period for an unincorporated business that ceases to exist?

POSITION: (1) A corporation is required to retain the permanent documents specified for two years following the day of dissolution. All other non-permanent documents are to be retained for six years from the end of the last taxation year to which the records and books relate. (2) The non-permanent books and records of a corporation must be retained for a period of two years from the date of dissolution. (3) An unincorporated business must retain the permanent records for six years from the last day of the taxation year in which the business ceased. All other non-permanent records must be retained for the six-year period.

REASONS: Wording of: (1) Regulation 5800(1)(a) and paragraph 230(4)(b); (2) Regulation 5800(1)(b); and (3) Regulation 5800(1)(c) and paragraph 230(4)(b)

2014-054884

G. Godson

May 11, 2015

Dear XXXXXXXXXX:

Re: Retention of books and records

We are writing in reply to your email of September 23, 2014, requesting our comments to your questions concerning the retention of books and records under subsection 230(4) of the Income Tax Act (the "Act") and section 5800 of the Income Tax Regulations (the "Regulations").

In your inquiry, you have raised a number of questions concerning the requirements of both a corporation and an unincorporated business to retain its books and records. Your main concern is the

interaction between the general requirements with respect to the retention of books and records outlined under subsection 230(4) of the Act, and the specific requirements in section 5800 of the Regulations.

#### Our Comments

This technical interpretation provides general comments about the provisions of the Income Tax Act and related legislation (where referenced). It does not confirm the income tax treatment of a particular situation involving a specific taxpayer but is intended to assist you in making that determination. The income tax treatment of particular transactions proposed by a specific taxpayer will only be confirmed by this Directorate in the context of an advance income tax ruling request submitted in the manner set out in Information Circular IC 70-6R5, Advance Income Tax Rulings.

Paragraph 230(4)(a) of the Act provides a prescribed period of time for the retention of books and records, as set out in section 5800 of the Regulations. With respect to a corporation's books and records (i.e. minutes of directors' meetings and shareholders' meetings, share registers, the general ledger, and any special contracts or agreements necessary to an understanding of the entries in the general ledger), such "permanent" records must be kept from the date of incorporation, until two years after the day on which the corporation is dissolved (paragraph 5800(1)(a) of the Regulations).

On the other hand, paragraph 230(4)(b) of the Act provides that a corporation's non-permanent records (i.e. the books and records referred to in paragraph 5800(1)(b) of the Regulations), must generally be retained for a period of six years from the end of the last taxation year to which the books and records relate, unless an exception in subsections 230(5) to (8) applies. Contrary to your view, these "non-permanent" records of the corporation are not required to be kept from the date of incorporation, rather they may be destroyed after the six-year retention period required by 230(4)(b). It should be noted that, a dissolved corporation is required to retain the non-permanent records referred to in paragraph 5800(1)(b) that it has on hand in accordance with the six-year retention as per above for two further years from the date of dissolution.

Furthermore, an unincorporated business, such as a sole proprietorship, must retain the permanent records referred to by 5800(1)(c) of the Regulations for a period of six years after the last day of the taxation year in which the business ceased. All other records of an unincorporated business, such as the source documents, would fall within the requirements of paragraph 230(4)(b) and therefore must be retained for the six-year period referred to therein.

We trust these comments will be of assistance.

Yours truly,

Terry Young, CPA, CA

Manager, Administrative Law Section

International Division

Income Tax Rulings Directorate

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