

**As things tend to slow down for many of us over the summer months, you may have a bit more time to clean up your office, storage room, etc. This may lead you to wonder whether you need to keep all those accounting records that occupy so much space. Below is the answer to that question. You may wish to keep this issue of The Learning Kurve handy for future reference.**

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Ministry of  
Finance

Specific books and records must be kept by every:

- person/corporation/trust carrying on a business;
- person/corporation/trust who is required to pay or collect taxes or other amounts, such as Employment Insurance and Canada Pension Plan premiums;
- registered charity or registered Canadian amateur athletic association; and
- registered agent of a registered political party or an official agent for a candidate on a federal election.

Records must be kept at your place of business or at your residence in Canada, unless official permission is received to maintain them elsewhere.

#### Retention period (general rules):

- Under the *Income Tax Act*, books, records and their related accounts and source documents have to be kept for a **minimum of six years** from the end of the last tax year to which they relate (fiscal period for corporations and calendar year for all other taxpayers).
- The rules are similar for GST/HST under the ETA, as well as for the EIA, the CPP, the EA 2001 and the ATSCA.
- Records and supporting documents concerning long-term acquisitions and disposal of property, the share registry, and other historical information that would have an impact on sale or liquidation or wind-up of the business must be kept **indefinitely**.

#### Special situations:

- Late filing of income tax return
- Notice of objection or appeal
- Dissolution of a corporation
- Cessation of a non-incorporated business
- Merge or amalgamation of a corporation
- Deceased taxpayer/trust
- Duplicate donation receipts of a registered charity or registered Canadian amateur athletic association
- Records relating to political contributions

#### Retention period (general rules):

- The books and records to be destroyed must relate to the business' fiscal year that ended more than **seven years** before the beginning of the fiscal year in which you plan to destroy the books and record.

#### Exceptions:

- With respect to the Mining Tax Act, the books and records to be destroyed must relate to a fiscal year that ended more than **10 years** before the time of destruction.
- With respect to the OHOSP Act, the plan must have been closed or assets released more than **seven years** before the date you plan to destroy the books and records.
- With respect to the Corporations Tax Act, a corporation applying losses to prior or subsequent years must keep the records needed to prove those losses as well as the income for the applicable year.
- With respect to the Labour Sponsored Venture Capital Corporations Tax Act, 1992, the books and records to be destroyed must relate to the business' fiscal year that ended more than **eight years** before the beginning of the fiscal year in which you plan to destroy the books and records.

#### Special Situations:

- Late filing of tax return
- Payment for assessed taxes in arrears
- Outstanding discrepancies with the Ontario Ministry of Revenue
- Notices of Objection or Appeal
- Waivers under the Corporations Tax Act/Income Tax Act (Canada), the Mining Tax Act, or the Employer Health Tax



#### Retention (general rules):

- In case of employer audit, records must be retained for a minimum of two prior years, plus the current year; however, if there are discrepancies, up to five prior years, plus the current year; and
- In general, keep all reports and records on file for at least one year or for such longer period necessary to ensure that the two most recent reports or records are kept.

### **A Reminder: 2008 Automobile Deduction Limits and Expense Benefit Rates for Businesses**

- The ceiling on the capital cost of passenger vehicles for capital cost allowance (CCA) purposes is at \$30,000 (plus applicable federal and Ontario sales taxes) for purchases after 2007. This ceiling restricts the cost of a vehicle on which CCA may be claimed for business purposes.
- The limit on deductible leasing costs is \$800 per month (plus applicable federal and Ontario sales tax) for leases entered into after 2007. This limit is one of two restrictions on the deduction of automobile lease payments. A separate restriction prorates deductible lease costs where the value of the vehicle exceeds the capital cost ceiling.
- The maximum allowable interest deduction for amounts borrowed to purchase an automobile is \$300 per month for loans related to vehicles acquired after 2007.
- The limit on the deduction of tax-exempt allowances paid by employers to employees using their personal vehicle for business purposes for 2008 is 52 cents per kilometre for the first 5,000 kilometres driven and 46 cents for each additional kilometre. The allowance amounts reflect the key cost components of owning and operating an automobile, such as depreciation, financing, insurance, maintenance and fuel costs.
- The general prescribed rate used to determine the taxable benefit relating to the personal portion of automobile operating expenses paid by employers for 2008 is 24 cents per kilometre. The amount of the benefit reflects the costs of operating an automobile. The additional benefit of having an employer-provided vehicle available for personal use (i.e., the automobile standby charge) is calculated separately and is also included in the employee's income.

### **This 'n That at Logan Katz...**

We are currently preparing our 2008-09 breakfast seminar program and would appreciate any suggestions you may have for speakers or topics. Our breakfast seminar series is developed to provide small-business owner-managers, management of not-for-profit entities, and other individuals who have interest with valuable information that can help them in their day-to-day professional and business lives. Please don't hesitate to send ideas and names our way.

**Questions or comments?  
Email us at office@logankatz.com  
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