

Record Retention and Electronic Documents Guidelines



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INTRODUCTION

As the authoritative source of Canadian payroll knowledge, one of the objectives of the National Payroll Institute (NPI) is to publish guidelines that can be referenced as Payroll Best Practice Guidelines for payroll practitioners and their employers.

A challenge for many payroll practitioners is having their employers understand that payroll is mission critical, and requires in-depth knowledge and skills to ensure compliance.

These Payroll Best Practices Guidelines can assist organizations with ensuring compliance with federal and jurisdiction record-keeping requirements as they relate to payroll records. They can also provide benchmarking tools for designing and/or implementing Payroll Best Practices.

These guidelines were created by a task force of NPI staff and subject matter expert payroll practitioners, ensuring both the accuracy of the information and the practicality of its application, based on real-life experiences within various organizations.

The NPI would like to thank the subject matter experts for their participation on the task force and their contributions to these guidelines.

NPI members should direct any legislative questions on these guidelines to:



National Payroll Institute's Payroll InfoLine

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KEYWORD SEARCH AND HYPERLINKS

When viewing any of the NPI's guidelines online, readers can search for keywords appearing within the document. For example, if information is required on a certain word or phrase, type the word or phrase in the search window (activated by pressing the "Control" and "F" keys simultaneously on most applications).

These guidelines contain **hyperlinks** within the document itself. All government forms, guides and websites discussed within the guidelines can also be accessed using these hyperlinks, which were active at the time of publication. Up-to-date links to major government websites such as the Canada Revenue Agency, Service Canada, Revenu Québec and employment/labour standards can be accessed through the **Compliance Resources → Government Links** page on the NPI's website, **payroll.ca/paie.ca**.

There is a quiz at the end of the document to test your knowledge. You can also take the quiz online by visiting the guidelines section of our website (**payroll.ca/paie.ca → Compliance Resources → Payroll Guidelines**).

AN EMPLOYER'S RESPONSIBILITY

The primary role of the payroll department is to provide employees with accurate payment for services rendered on a consistent and timely basis. This can only be accomplished by the employer collecting and storing accurate employee data.

As stipulated by the Canada Revenue Agency (CRA), Revenu Québec (RQ), Service Canada (SC), Ministère du Travail, de l'Emploi et de la Solidarité sociale (MTESS) as well as provincial/territorial employment/labour standards legislation, ministries responsible for health care and education levies, and workers' compensation boards, one of the employer's obligations is to keep records of employment-related data for a certain period of time. Retention legislation is addressed throughout this document.

WHAT ARE BUSINESS RECORDS?

A business record is a document (hard copy or digital) that records an “act, condition, or event” related to business. Business records include meeting minutes, memoranda, employment contracts and accounting source documents.

From a payroll perspective, these are any records collected by the employer to process an employee’s pay. These include:

- information collected to hire the employee, such as onboarding or commencement packages, including an offer letter;
- TD1 or TP-1015.3 form(s);
- CRA letters of authority approving a tax reduction for certain employees for a specific year
- benefits election forms;
- legal deductions notices;
- authorizations for deductions compulsory and voluntary;
- leave of absence requests;
- rate changes; and
- termination of employment documents.

WHY IS RECORD RETENTION IMPORTANT?

Employers are required to maintain records to validate that their employees have been paid accurately and on time. Once payroll is produced, the employer has further requirements to produce tax slips (T4 and/or RL-1) at year-end and associated summaries, produce Records of Employment (ROEs) as required, and pay and reconcile various provincial health care and workers’ compensation accounts.

Records are also needed in case of an audit from authorized government bodies to validate that statutory deductions were withheld from employees and remitted on time along with the employer’s portion.

In addition, employers are required to maintain records to show that minimum requirements are met as set under each employment/labour standards act based on the jurisdiction(s) in which employees are considered to work.

In the case of payroll disputes, such as claims for unpaid wages or overpayments, clear and concise records can help settle disagreements between employees and employers.

CRA RECORD-KEEPING REQUIREMENTS

DURATION

Records of an employee's gross earnings, Canada Pension Plan (CPP) contributions, Employment Insurance (EI) premiums, federal and provincial income taxes (payroll register) must be kept for six completed taxation years plus the current year. This is sometimes referred to as the 7-year or 6+1 rule. Records of the tax slips issued and remittances paid to the Receiver General for Canada for the same period of time must also be kept.

TYPES OF RECORDS

The CRA accepts records that are produced and stored in:

- paper format;
- paper format, and later converted to and stored in an accessible and readable electronic format; or
- an accessible and readable electronic format.

The records must:

- be reliable and complete;
- include the information needed to meet tax obligations and to calculate credits;
- be supported by documents; and
- be kept in English, French or a combination of these two languages.

Records are organized accounting and financial documents that summarize transactions and include the documents to support these transactions. These documents include:

- ledgers;
- journals;
- books;
- charts;
- tables;
- financial statements;
- statements of accounts;
- income tax returns;
- goods and services tax/harmonized sales tax (GST/HST) returns;
- excise tax returns;
- sales invoices;
- purchase receipts;
- vouchers;
- contracts;
- guarantees;

- bank deposit slips;
- bank statements;
- cancelled cheques;
- cash register slips;
- credit card receipts;
- work orders;
- delivery slips;
- working papers;
- logbooks;
- emails; and
- any correspondence that supports transactions.

PAYROLL RECORDS

An employer that is processing payroll for employees must ensure the payroll records include the hours worked by each employee and the amounts withheld for CPP contributions, EI premiums and income taxes.

In addition, the following documents must be retained:

- **Form TD1, Personal Tax Credits Return**, which all employees have to fill out;
- **Form TP-1015.3-V, Source Deductions Return**, for any employees working in the province of Quebec;
- CRA letters of authority approving a tax for certain employees for a specific year;
- All information slips issued and all returns filed; and
- Registered pension plan (RPP) information.

An organization's records must be made available to the CRA upon request.

COMPLIANCE PENALTIES

If the CRA finds that the books and records are inadequate, the CRA will generally request a written agreement that books and records be maintained as required. The CRA will follow up the request by letter or visit within a reasonable period of time (usually not less than a month) to ensure compliance.

If there has been no compliance within the time allowed, the CRA will issue a formal requirement letter. The letter describes the information to be recorded in the books and describes the legal consequences and penalties for failing to comply.

A "person" in this context includes a corporation, a trust or any exempt entity listed in subsection 149(1) of the **Income Tax Act**, such as a registered charity, a registered Canadian amateur athletic association or a non-profit organization.

A person who destroys or otherwise disposes of books and records to evade the payment of tax is subject to prosecution according to section 239 of the Act. Information Circular 73-10R, Tax evasion, discusses CRA policies on tax evasion.

If the person fails to maintain adequate books and records or provide the information or documents under section 231.2 of the Act, such action may result in prosecution by the CRA. On a summary conviction, and in addition to any penalty otherwise payable, a taxpayer is subject to a fine of not less than 50%, and not more than 200%, of the amount of the tax that was sought to be evaded and potentially imprisonment for a term not exceeding two years.

Alternatively, under section 231.7, the Minister may apply to the court for a Compliance Order in which a judge would order the person to provide any access, assistance, information or document sought by the Minister under section 231.1 or 231.2.

If a person fails or refuses to comply with an 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.

DESTRUCTION

Approval must be obtained from the CRA to destroy the records any earlier than the legislated time frame. The employer should complete **form T137, Request for Destruction of Records**, if the records are to be destroyed earlier. Refer to the CRA's **Keeping Records, Books and Records Retention/ Destruction**, and **Electronic Record Keeping** for greater detail.

SERVICE CANADA RECORD-KEEPING REQUIREMENTS

Employers that hire and pay employees under an employee-employer relationship are required to track insurable hours and earnings. In the event of an interruption of earnings, the employer is required to issue an ROE.

The ROE is available in two formats:

- Three-part paper form (Part 1 is the employee copy, Part 2 is the Service Canada copy and Part 3 is the employer copy); or
- Electronic ROE submitted through ROE Web or Secure Automated Transfer (SAT).

Regardless of whether an employer issues ROEs electronically or on paper, the related payroll records, whether in electronic or paper format, must be retained for six years after the year to which the information relates.

If a paper ROE is issued, the employer must store Part 3 of all completed paper ROEs for six years after the year to which the information relates. These must be stored in a secure location, as the information it contains is considered confidential.

If ROEs are submitted electronically, there is no requirement to store paper copies of them, but the employer must ensure they save the data for six years after the year to which the information relates.

REVENU QUÉBEC RECORD-KEEPING REQUIREMENTS

Employers with a Quebec payroll are required to withhold and remit Quebec Pension Plan (QPP) contributions, QPIP premiums and Quebec provincial income tax from employees.

An employer is required to keep registers and supporting documents on which the amounts paid to employees (that is, the amounts on which source deductions and employer contributions are based) are shown. In the event of an audit, these documents must be made available to Revenu Québec.

DURATION

Registers and supporting documents must be kept for **six years** after the last taxation year to which they relate. However, if certain documents for a given year are filed late, the registers and supporting documents relating to that year must be kept for six years after the date on which the documents were **submitted**, rather than for six years after the last taxation year to which the registers and supporting documents relate. This applies, for example, if an employer is late in filing **form RLZ-1.S-V, Summary of Source Deductions and Employer Contributions**.

Registers and supporting documents kept on an electronic or computer medium must be kept in an intelligible form on the same medium for six years after the last taxation year to which they relate. Take all of the necessary steps to ensure and maintain their integrity throughout their lifecycle.

COMPLIANCE PENALTIES

Under the *Tax Administration Act*, businesses and individuals in business that do not file their returns or RL slips or summaries are liable to a penalty for failure to file of \$25 per day (up to a maximum of \$2,500), in addition to **late-filing penalties** regarding income tax, consumption taxes and source deductions. Note that the penalty for failure to file does not apply to filing GST returns.

Note:

The penalty for failure to file provided for in the *Tax Administration Act* may also be imposed on businesses, individuals in business or individuals who do not comply with a formal demand to provide information or documents such as:

- returns;
- reports;
- registers;
- letters;
- statements of account;
- invoices; and
- financial statements.

DESTRUCTION

Revenu Québec may authorize an organization to destroy documents before the six-year period has expired if a signed, written request containing the following information is submitted:

- a precise description of the documents to be destroyed;
- the taxation years covered by the request; and
- any other pertinent information.

JURISDICTIONAL RECORD-KEEPING REQUIREMENTS

EMPLOYMENT STANDARDS

Each jurisdiction has established its own rules on record retention. Records must be kept for a period of one to five years depending on the jurisdiction. Written permission is required for destruction any earlier.

The types of records an employer is required to maintain include information typically found in an employee's file such as their:

- name;
- address;
- social insurance number;
- date of birth; and
- employment date.

An employer must also maintain records to validate their compliance with employment/labour standards legislation related to an employee's:

- rate of pay and payment of wages;
- hours of work, including overtime, overtime banking or averaging agreements;
- vacation leave and vacation pay;
- statutory holiday entitlement and payment; and
- application for a job-protected leave of absence.

A chart detailing the specific requirements by jurisdiction is located in **Appendix A**.

PROVINCIAL EMPLOYER HEALTH TAXES AND EDUCATION LEVIES

Employers in British Columbia, Manitoba, Newfoundland and Labrador, Ontario and Quebec are subject to an employer health tax or education levy.

Employers subject to these taxes and levies must maintain records to:

- indicate the taxes or levies payable and how these amounts were determined; and
- substantiate any exemption status claimed.

Required records would include:

- payroll records;
- T4 slips, T4A slips and associated summaries;
- RL-1 slips and summary;
- remittance return(s); and
- annual returns.

For each jurisdiction with an employer health tax or education levy, the record retention period is the same as the requirements under the CRA and Revenu Québec:

- six complete years after the calendar year the records relate to.

NUNAVUT AND NORTHWEST TERRITORIES PAYROLL TAX

Employers with business establishments who pay employees in the Northwest Territories and Nunavut are required to register with the territorial Department of Finance and open a payroll tax account. Once registered these employers must withhold a 2% payroll tax from remuneration paid to employees and remit it to the territorial Minister of Finance.

Employers are required to maintain books or records detailing remuneration paid to employees that will validate the requirement to withhold and remit the payroll tax as required under the *Payroll Tax Act, 1993*. These records would include:

- payroll records;
- payroll tax remittance return(s);
- payroll tax annual return; and
- T4 slips and summary.

These records must be retained for a period of six years from the time the tax is remitted to the Minister of Finance.

WORKERS' COMPENSATION

Most employers in Canada are required to register with and maintain employee coverage under workers' compensation (WC) legislation.

An employer may be subject to an audit to validate the accuracy of assessable earnings reported and premiums paid and would be required to produce various records including:

- payroll records;
- T4 slips, T4A slips and associated summaries;
- RL-1 slips and summary; and
- WC filings, including premium remittances and annual returns.

Employers would be expected to produce such records in keeping with the CRA and Revenu Québec record retention periods:

- six complete years after the calendar year the records relate to.

Employers should also retain records related to workplace health and safety programs, training and inspections, as well as all documents related to workplace accidents or injuries, such as investigation reports, an Employer's Report of Injury (Form 7) filed with the applicable board and any correspondence received from the WC board. These records should also be retained for a period of six years following the calendar year they relate to.

REGISTERED PENSION PLANS

An organization that sponsors a registered pension plan will be required to maintain two types of documents.

The first type of documents are those related to the creation and ongoing administration of the plan and include:

- the plan document and any related amendments;
- documents related to third party agreements for the administration of the plan;
- correspondence with provincial pension regulators;
- copies of any filings or reports required by provincial pension regulators;
- documents related to mergers or acquisitions; and
- documents related to investment policies and procedures.

There is no legislated retention period for the above records. These must always be available for inspection by anyone eligible to inspect such records under prevailing pension legislation.

The second type of records is related to the plan members. For active plan members, this includes information related to plan enrolment, beneficiary designations, pension statements and court documents related to the breakdown of a spousal relationship. These records should be retained as long as plan membership remains active.

In cases where it is optional for an employee to join the plan, the administrator should retain a copy of the election form or notice showing the employee opted not to join the plan or the entry date if they chose to join at a later date.

Once a plan member has terminated their employment or plan membership, and has elected to transfer their entitlement out of the pension plan, the plan records do not necessarily have to be kept. However, the administrator needs to retain at least a summary of the terminated member's plan records that will confirm that their entitlement under the plan has been settled. The summary for a terminated member should include, as a minimum, the following information:

- the employee's name or identifying employee or social insurance number;
- the plan membership entry date;
- the termination date;
- the vested status as of the termination date;
- evidence of the disclosure made to the member at termination;
- any options that were elected by the member; and
- the payment amount and date it was made, including any evidence that substantiates the payment information (e.g., bank statements, a receipt that shows the transferred amount and destination, the name of the financial institution, a receipt for cash payment, the date when the cheque was cleared, or any other forms of evidence).

The summary information that is retained must be sufficient to identify the recipient of the payment, the exact amount that was paid to them and the date when the payment was made.

Similarly, when the final payment has been made from the pension plan to a plan beneficiary, the administrator should retain at least a summary of the plan records relating to the beneficiary.

The summary for the plan beneficiary should include the same information as listed above for a plan member, as well as the identity of the beneficiary in whose name the transfer was processed.

The administrator needs to retain the records of individual members (or at least the summary of their records) because it is not uncommon for former members of the plan to come forward at the time of their retirement (which may happen long after their termination) to make claims for payment of their pension entitlements.

After the death of a former or retired member, a claim may be made by the former or retired member's beneficiaries or estate. Therefore, the administrator needs to have sufficient documentation to be able to verify the payment status of former and retired members' entitlements to avoid duplication of the payment.

In addition, in situations where a member's entitlement to a stated amount of pension benefit is challenged, the administrator may be required to provide historical information to verify benefit calculations. This could include any information relevant to the benefit calculation (e.g., a member's period(s) of employment service, plan membership and/or union membership, employment earnings, pension plan contributions, plan provisions or any other documents that applied during the member's period of plan membership).

STORAGE AND ACCESS TO RECORDS

The federal government requires employers to retain their records at a location in Canada that is:

- the employer's establishment;
- the business owner's residence;
- a secure storage facility at which the business has a contract for storage; or
- a place designated by the Minister.

Permission to keep electronic records outside of Canada may be obtained in some instances. If so, the CRA may accept copies if:

- the CRA is satisfied that the copies of the records are true copies;
- they are made available to CRA officials in Canada in an electronic format readable by CRA software; and
- they show enough details to support the returns filed with the CRA.

It is recommended that employers establish a record retention policy that includes a schedule for transferring records to storage (physical or digital) and identifying when and how they will be destroyed.

If records need to be retrieved, the schedule would provide the storage location and who has authority to access the documents.

When it is time to destroy records, the schedule will identify any special requirements, for example, confidential employee records stored in physical files would require secure shredding.

A sample record retention archive is available in **Appendix B**.

ELECTRONIC RECORDS

Electronic (digital) records include any information created, recorded or stored on a computer system or other similar device. Electronic records include, but are not limited to, computer files (e.g., Word documents, PDFs and spreadsheets), digital images (e.g., JPEG, BMP), digital video (e.g., MPEG), emails in their original format and any attachments, databases (e.g., SQL, Microsoft Access) and all backup copies.

Electronic records are produced and used for the same purposes as traditional paper records. Therefore, they must be securely created, stored, accessed and managed to maintain their integrity and protect the confidentiality of employee personal information.

When transitioning to electronic document management, an employer should make sure their systems and processes include the following characteristics:

- **Authenticity:** Ensure adequate controls are in place to validate that the creator of an electronic record is identified and authorized and that the record is protected against unauthorized use, alteration or concealment.
- **Reliability:** Records are a complete and accurate representation of the facts. The record should be created at the time of or soon after the event to which it relates by a person who has direct knowledge of the facts.
- **Usability:** Electronic records can be located, retrieved, presented and interpreted. If an authorized government agency requests access to the documents, they must be readable by that agency's equipment and software to be processed and analyzed.
- **Integrity:** Records must be protected against unauthorized alteration. Any authorized annotation, addition or alteration to a record should be explicitly indicated and traceable.

BENEFITS OF ELECTRONIC DOCUMENTS

Benefits of converting paper documents into electronic documents include:

- Time and money saved on:
 - filling paper documents;
 - printers purchased or leased;
 - printer ink and toners;
 - maintaining devices;
 - printer paper and filing supplies; and
 - storage cost for filing cabinets and rent for additional storage units.
- Space used to store printers, filing cabinets and storage space for banker boxes.
- Easier and quicker access to stored electronic documents along with better search capability.
- More environmentally friendly.

DOCUMENTS THAT MAY BE STORED ELECTRONICALLY

Generally, an employer may store any payroll-related documents electronically. The Government of Canada accepts records in the following formats:

- paper format;
- paper format, and later converted to and stored in an accessible and readable electronic format; and
- an accessible and readable electronic format.

When choosing electronic storage, the characteristics of authenticity, reliability, usability and integrity must be followed.

Provincial/territorial or municipal requirements for storing documents electronically should be reviewed separately.

DESTROYING PAPER DOCUMENTS ONCE SAVED ELECTRONICALLY

If paper supporting documents have been imaged according to the Canadian General Standards Board (CGSB) requirements, the images become permanent records. Refer to CGSB publication *CAN/CGSB 72.34, Electronic Records as Documentary Evidence*.

If a business cannot meet the CGSB standards when imaging, it has to keep the original documents. Otherwise, paper source documents that have been imaged may be disposed of.

ELECTRONIC DOCUMENT CONSIDERATIONS

Location of records

- Records must be kept at the place of business or residence in Canada, or a place designated by the Minister.
- Records kept outside of Canada and accessed electronically outside of Canada are not considered to be records in Canada. However, the CRA may accept a copy of the records provided they have been made available in Canada in an electronically readable and usable format and they contain details to support the tax returns filed with the CRA.
- All retained copies must be clearly labelled and stored in a secure environment in Canada. Authorization to maintain records outside of Canada may be granted, subject to terms and conditions as the Ministry may specify in writing.
- In general, backup of the electronic records are stored at a site other than the business location for security reasons and as a precaution in case of fire, theft, flood or other causes. The CRA recommends as best business practice that backup copies are at a location in Canada.
- Businesses that operate via the internet and are hosted on a server located outside of Canada should be aware of their responsibility to maintain records within Canada as all other business operations.

- Documents that have been recorded on rewritable media, such as CDs, DVDs, tapes, computer hard disks or cartridges, should be stored in an environment that is free of hazards that could affect them. That includes magnetic fields, direct light, extreme temperatures and excessive moisture.
- Registered charities, registered Canadian amateur athletic associations and qualified donees (see **Qualified donees**) must store their backup copies at a location in Canada.

Backup procedures

- Ensure that the backed-up data files can be restored in a format that will be accessible and useable by the CRA.
- Ensure that the intended data is being written to the medium being used.
- Ensure that the backup procedure does not overwrite prior period backups or logs, destroying them.
- Ensure that the medium is uniquely labelled in a readily identifiable manner.
- Ensure that a log is prepared to identify what records and data have been recorded on such medium.
- Ensure that the log states how long this medium is to be retained before it can be overwritten or discarded
- Ensure that the name of the software and the version number used to create the records are noted on the medium label and in the log.
- Ensure that the proper electronic business system software and operating system are available to restore the backed-up files to their original environment.
- Ensure that there is periodic testing of backed-up records to verify that the backed-up records can be restored into an electronically readable format.

ELECTRONIC SIGNATURES

Whether a signature is paper-based or electronic, the need for or purpose of the signature is the same. A signature links a person to a document (or transaction) and typically provides evidence of that person's intent to acknowledge, approve or be legally bound by the document's contents. The primary function of a signature is to provide evidence of the individual's:

- Identity;
- intent to sign; and
- agreement to be bound by the contents of the document.

The requirement for a signature can be:

- imposed by an act of Parliament;
- imposed by policy; or
- a customary practice.

In most cases, an electronic signature is considered equivalent to a paper-based signature. Essentially, an e-signature can be virtually any form of electronic representation that can be linked or attached to an electronic document or transaction, including:

- user authentication to an internal application to approve something, such as when a supervisor logs in to an application to approve a leave request;
- using a stylus on a tablet touchscreen to write a signature by hand and capture it in electronic form;
- a typed name or signature block in an email;
- user authentication to access a website, coupled with a mouse click on some form of acknowledgment button to capture the intent;
- a scanned hand-written signature on an electronic document; and
- a sound such as recorded voice command (for example, a verbal confirmation in response to a question).

An electronic signature consists of one or more letters, characters, numbers or other symbols in digital form incorporated in, attached to or associated with an electronic document.

The Government of Canada, provinces and territories have developed laws, policies and standards for electronic documents and electronic signatures (e-signatures), which have been in place since mid-1990. Definitions vary by jurisdiction; however, principles are generally the same.

Canadian federal acts and regulations that address e-signatures include:

- ***Personal Information Protection and Electronic Documents Act*** (PIPEDA), Part 2 (PDF, 542 KB)
- ***Secure Electronic Signature Regulations*** (annexed to PIPEDA and the *Canada Evidence Act*) (PDF, 147 KB)
- ***Electronic Payments Regulations*** (annexed to the *Financial Administration Act* (FAA)) (PDF, 177 KB)
- ***Payments and Settlements Requisitioning Regulations*** (annexed to the FAA) (PDF, 202 KB)

Depending on the context of the business activity or transaction, implementation considerations can include the following:

- The reason or context for the e-signature is clear. (The signature is for approval, agreement, consent, authorization, confirmation, acknowledgment, witness, notarization, certification or other purposes.)
- It is clear that the individual(s) understand that they are signing the electronic data (indication of intent to sign).
- The level of authentication is commensurate with the associated assurance level.
- The individual(s) have the authority to sign the electronic data.
- The method used to establish the e-signature is commensurate with the associated assurance level.
- Supporting information such as the following is captured, where required:
 - date and time that the electronic data was signed; and
 - evidence that the signature was valid at the time it was signed.
- The e-signature and supporting information is associated with the signed electronic data and the integrity of this information is maintained using methods commensurate with the associated assurance level.
- The ability to validate the e-signature is supported over time.

RECORD RETENTION CHECKLIST

ITEM	DONE
Develop a record retention policy.	
Define how records will be named (for ease of retrieval).	
Store archived records separate from active records.	
Review the legislation for each province or territory in which employees work.	
Create a schedule for transferring documents to storage and the appropriate destruction date.	
Determine how records will be stored (physical or electronic).	
Choose a location to store physical records: <ul style="list-style-type: none"> • At the organization's place of business • At an offsite facility 	
For electronic documents: <ul style="list-style-type: none"> • Save a backup copy and store it securely offsite or in the cloud. • Make sure all electronic files are in readable condition. 	
Establish security measures for confidential files placed in storage: <ul style="list-style-type: none"> • Secure area for physical files • Password protection for electronic files 	
Ensure that any third-party vendors with access to records have policies around data security and privacy.	
Have regular conversations with legal and HR teams to ensure everyone is aligned.	
Monitor legislation for updated compliance information.	

RESOURCES

- CRA: [Keeping Records](#)
- Revenu Québec: [Registers and Supporting Documents](#)
- [Government of Canada Guidance on Using Electronic Signatures](#)

LEGISLATIVE REFERENCES

FEDERAL GOVERNMENT

Records according to Section 230 and 230.1 of the *Income Tax Act*, section 87 of the *Employment Insurance Act* and section 24 of the *Canada Pension Plan Act*.

Income Tax Act

Records and books

- **230 (1)** Every person carrying on business and every person who is required, by or pursuant to this Act, to pay or collect taxes or other amounts shall keep records and books of account (including an annual inventory kept in prescribed manner) at the person's place of business or residence in Canada or at such other place as may be designated by the Minister, in such form and containing such information as will enable the taxes payable under this Act or the taxes or other amounts that should have been deducted, withheld or collected to be determined.
- **Marginal note: Records and books**
(2) Every qualified donee referred to in paragraphs (a) to (c) of the definition *qualified donee* in subsection 149.1(1) shall keep records and books of account — in the case of a qualified donee referred to in any of subparagraphs (a)(i) and (iii) and paragraphs (b), (b.1) and (c) of that definition, at an address in Canada recorded with the Minister or designated by the Minister — containing
 - (a) information in such form as will enable the Minister to determine whether there are any grounds for the revocation of its registration under this Act;
 - (b) a duplicate of each receipt containing prescribed information for a donation received by it; and
 - (c) other information in such form as will enable the Minister to verify the donations to it for which a deduction or tax credit is available under this Act.

Canada Pension Plan Act, Division C, 24

Books and records

- **24 (1)** Every employer paying remuneration to an employee employed by him in pensionable employment shall keep records and books of account at his place of business or residence in Canada, or at such other place as may be designated by the Minister, in such form and containing such information as will enable any contributions payable under this Act or any contributions or other amounts that should have been deducted or paid to be determined, and where any such employer has failed to keep adequate records and books of account, the Minister may require him to keep such records and books of account as he may specify, and the employer shall thereafter keep records and books of account as so required.
- **Marginal note: Keeping of records and books of account**
(2) Every employer required by this section to keep records and books of account shall retain those records and books of account and every account and voucher necessary to verify the information contained therein until the expiration of six years from the end of the year in respect of which those records and books of account are kept or until written permission for their prior disposal is given by the Minister.
- **Marginal note: Electronic records**
(2.1) Every employer required by this section to keep records who does so electronically shall retain them in an electronically readable format for the retention period referred to in subsection (2).
- **Marginal note: Exemption**
(2.2) The Minister may, on such terms and conditions as are acceptable to the Minister, exempt an employer or a class of employers from the requirement in subsection (2.1).
- **Marginal note: Retention for ruling or appeal**
(3) If the employer or an employee of the employer is subject to a ruling under section 26.1 or has made an appeal to the Minister under section 27 or 27.1, the employer shall retain every record, book of account, account and voucher necessary for dealing with the ruling or the appeal until the ruling is made or the appeal is disposed of and any further appeal is disposed of or the time for filing a further appeal has expired.

Employment Insurance Act

Records and books

- **87 (1)** An employer paying remuneration to a person they employ in insurable employment shall keep records and books of account at the employer's place of business or residence in Canada, or at such other place as may be designated by the Minister, in such form and containing such information, including the Social Insurance Number of each insured person, as will enable the determination of any premiums payable under this Act or any premiums or other amounts that should have been deducted or paid.
- **Marginal note: Specification of required books and records**
(2) If the employer has failed to keep adequate records and books of account, the Minister may require the employer to keep such records and books of account as the Minister may specify, and the employer shall keep the required records and books of account.

REVENU QUÉBEC

Quebec Tax Administration Act (S35)

35. Where a person does not keep appropriate registers, the Minister may, in a writing notified by registered mail or by personal service, direct the person to keep the registers specified by the Minister, and the person must comply with such obligation.

1972, c. 22, s. 35; 2000, c. 25, s. 10; I.N. 2016-01-01 (NCCP).

35.1. Every person required to keep registers shall preserve them, together with any supporting document that supports the information contained therein, for six years after the last year to which they relate.

Every person who keeps registers or supporting documents on electronic or computerized medium shall preserve them in intelligible form on the same medium for the preservation period indicated in the first paragraph.

The Minister may, subject to the terms and conditions the Minister determines, dispense a person or class of persons from the obligation set out in the second paragraph.

1983, c. 49, s. 41; 1991, c. 67, s. 576; 2000, c. 25, s. 11.

35.2. Notwithstanding section 35.1, a different retention period may be prescribed by regulation for certain documents.

TEST YOUR KNOWLEDGE

Please read each scenario and select the best response. (The answers are provided and explained on the next page.)

1. True or False

The CRA requires payroll records, including the hours worked for each employee with respect to income earned and source deductions, to be maintained for seven years.

2. Where should a business store its records?

- A. Anywhere there is space, including outside of Canada
- B. At a mandatory location designated by the government
- C. A place of business or residence in Canada
- D. Only on the premises of the business

3. True or False

The record retention periods required under employment/labour standards legislation are the same as the requirements set by the CRA and Revenu Québec.

4. Which of the following is not an electronic record or document?

- A. A time and attendance database
- B. A three-part ROE form
- C. A completed TD1 form saved as a PDF file
- D. A digital image of an employee's banking information

5. True or False

An employer that sponsors a Registered Pension Plan must retain records for a period of six years.

TEST YOUR KNOWLEDGE ANSWERS

1. True or False

The CRA requires payroll records, including the hours worked for each employee with respect to income earned and source deductions to be maintained for seven years.

True – Requirement is six complete taxation years following the year the records relate to plus the current year, for a total of seven years (6+1).

2. Where should a business store its records?

A. Anywhere there is space, including outside of Canada

B. At a mandatory location designated by the government

C. A place of business or residence in Canada

D. Only on the premises of the business

An employer is allowed to store their records at a location in Canada that is a place of business (the employer's physical location or a secure storage facility in which the business rents space), the owner's residence or some other location designated by the Minister.

3. True or False

The record retention periods required under employment/labour standards legislation are the same as the requirements set by the CRA and Revenu Québec.

False – Each jurisdiction has established a retention period during which employers are required to maintain records required under employment/labour standards. These periods range from one to five years, based on jurisdiction.

4. Which of the following is not an electronic record or document?

A. A time and attendance database

B. A three-part ROE form

C. A completed TD1 form saved as a PDF file

D. A digital image of an employee's banking information

The three-part ROE is a paper form that is still used by some businesses. Employers do have the option of submitting ROEs electronically to Service Canada through ROE Web or Secure Automated Transfer (SAT).

5. **True or False**

An employer that sponsors a Registered Pension Plan must retain records for a period of six years.

False – There is no legislated retention period for the above records. These must always be available for inspection by anyone eligible to inspect such records under prevailing pension legislation.

Once a plan member has terminated, the administrator needs to retain at least a summary of the terminated member's plan records that will confirm that their entitlement under the plan has been settled.

APPENDIX A

Employment/Labour Standards Record Retention Requirement by Jurisdiction			
Jurisdiction	Information Required for Each Employee		Length of Time
Federal (Canada Labour Code, Part III)	<ul style="list-style-type: none">• Name• Address• Dates of beginning and end of employment• SIN• Occupational classification• Gender• Age (if under 17)• Wage rate and basis for it• Daily hours of work• Actual earnings• Payments made after deductions and details of deductions• Information on annual vacation, legislated leaves or statutory holidays	<ul style="list-style-type: none">• Information on averaging if appropriate, employer pay periods• Information on notice of termination or intention to terminate, notice of work schedules that exceed either the standard or maximum hours of work• Information on absence due to work-related injury or illness in addition to any changes to the rate of pay and effective dates	36 months after the work is performed and after termination
Alberta	<ul style="list-style-type: none">• Name• Address• Daily hours worked• Wages paid• Overtime pay or time off in place of overtime• Date of birth• Date of beginning of employment• Wage rates including dates and particulars of all changes• Vacations granted showing dates of vacation and period of employment covered• Amount of vacation pay, statutory holiday pay and date holiday taken if not on the actual day of statutory holiday	<ul style="list-style-type: none">• All wage deductions• Copies of overtime agreements, call-backs after layoffs, notices of termination and amount of termination pay• Letters, documents and certificates relating to maternity and adoption benefits <p>Note: On request, an employer must give to an employee a detailed statement of how the employee’s earnings were calculated and the method of calculating any bonus living allowance paid, whether or not it forms part of wages.</p>	3 years from the date the record is made

Employment/Labour Standards Record Retention Requirement by Jurisdiction			
Jurisdiction	Information Required for Each Employee		Length of Time
British Columbia	<ul style="list-style-type: none">• Name• Address• Date of birth• Occupation• Telephone number• Date of beginning of employment• Hours of work• Hours per day• Overtime hours• Wage rate• Gross wages• Net wages• Nature and amount of deductions• Date wages were paid• Work period corresponding to the payment• Nature and amount of bonus, premiums, allowances, commissions and other payments	<ul style="list-style-type: none">• Vacation reference year, dates and duration of vacation• Date and amount of vacation pay• Statutory holiday pay• Date of compensatory holiday• Date of notice of termination• Date employment ends• Amount in lieu of notice• Amount in lieu of vacation• Banked time, dates and remaining amounts in the bank• The benefits paid to the employee• Payroll records must be in English	4 years after the date on which the payroll records were created
Manitoba	<ul style="list-style-type: none">• Name• Address• Date of birth• Occupation• Date of beginning of employment• Regular wage rate and overtime wage rate when employment started and the date and particulars of any changes to either wage rate• Where hours vary, a record of the hours of work and daily overtime• Dates wages are paid, amount of wages paid on each date, deductions from wages and the reason for each deduction	<ul style="list-style-type: none">• Banked time and time taken instead of overtime pay• The date each statutory holiday is taken and the wage rate paid for hours worked on the statutory holiday• Dates of each annual vacation and the period of employment in which it is earned• Date and amount of vacation allowance paid• Date and amount of vacation allowance owing and paid on termination• Documentation for maternity, parental and other leaves including the dates and number of days taken and the date of termination	3 years from the date the record is made

Employment/Labour Standards Record Retention Requirement by Jurisdiction			
Jurisdiction	Information Required for Each Employee		Length of Time
Newfoundland and Labrador	<ul style="list-style-type: none"> Name Address Date of birth Wage rate Daily hours worked, wages paid and deductions Date employment began and terminated Notice of termination Notice of intention to terminate Particulars of annual vacation and wages paid 	<ul style="list-style-type: none"> Date of rest periods Date of expiry of a contract and specific tasks for which employee was hired if applicable <p>Note: The <i>Industrial Standards Act</i> indicates the need to keep the following records, but does not state a required period: name, address, age, duties performed, daily and weekly hours, wage rate, and any agreement relating to working conditions.</p>	4 years from the date of the last entry
New Brunswick	<ul style="list-style-type: none"> Name Address Date of birth SIN Date employment began Hours worked by day and by week Wage rate and gross pay for each pay period 	<ul style="list-style-type: none"> Particulars of deductions, living allowance, vacation periods, vacation pay, statutory holiday pay due or paid, net payments Documents relating to the leaves of absence, the reason for the leave and the dates of all dismissals, suspensions or layoffs and corresponding notices 	36 months after work is performed
Northwest Territories/ Nunavut	<ul style="list-style-type: none"> Name Age Address Hours worked each day Gross and actual payments Date of beginning of employment and anniversary date 	<ul style="list-style-type: none"> Rate of wages and particulars of any changes, amount and particulars of deductions Information on annual vacations and amount paid in lieu of notice on termination Amounts paid for statutory holidays and a copy of any notice of termination 	2 years from the date record was made
Nova Scotia	<ul style="list-style-type: none"> Name Age Sex Address Wage rate Hours of work Vacation periods Leaves of absence, pay and vacation pay 	<ul style="list-style-type: none"> Dates of beginning and termination of employment Dates of all layoffs or discharges and corresponding notices and cumulative wages A record of how much each employee has been paid 	3 years after work is performed

Employment/Labour Standards Record Retention Requirement by Jurisdiction			
Jurisdiction	Information Required for Each Employee		Length of Time
Ontario	<ul style="list-style-type: none"> • Name, • Address • Date of birth if the employee is a student under 18 years of age • Date employment began • The number of hours worked each day and week • Wages in each pay • Statement of wages on termination and record of vacation time and vacation pay • A record of excess hours • Averaging agreements <p>Note: Employers who employ “homeworkers” are also required to keep a register containing the name, address, and wage rate of the homeworker. This must be kept for 3 years after the homeworker stopped working for the employer.</p>	<ul style="list-style-type: none"> • All documents relating to an employee’s pregnancy, parental, family medical, personal emergency, declared emergency or reservist leave, must be kept for 3 years after the day the leave expired • The dates and times that the employee was scheduled to work or to be on call for work, and any changes made to the on-call schedule • The dates and times that the employee worked • The regular rate for each hour of overtime worked, where the employee has two or more regular rates of pay. • The employee performed work for the employer over the overtime threshold, the dates and times that the employee worked over the overtime threshold at each rate of pay • Any cancellations of a scheduled day of work or scheduled on-call period of the employee and the date and time of the cancellation 	3 years after work is performed
Prince Edward Island	<ul style="list-style-type: none"> • Name • Address • SIN • Date of birth • Wage rate and actual earnings • Daily and weekly hours worked • Gross and net earnings per pay period 	<ul style="list-style-type: none"> • Deductions and their nature • Date of beginning and termination of employment • Type of work performed • Vacation pay paid and due to be paid • Overtime hours accumulated and used • Statutory holidays • Period of leave of absence and reason • Dates of any suspensions, or terminations 	36 months after work is performed
Quebec	<ul style="list-style-type: none"> • Name • Address • SIN • Occupation • Date employment began and the following for each pay period: • Daily and weekly hours of work • Overtime hours • Number of overtime hours • Wage rate • Details of other monies paid 	<ul style="list-style-type: none"> • Gross wages • Details of deductions • Net wages • Work period corresponding to a payment • Date of payment • Reference year • Duration and departure date of annual vacation and details of statutory holidays • Dates of birth of employees under age 18 	3 years after work is performed

Employment/Labour Standards Record Retention Requirement by Jurisdiction			
Jurisdiction	Information Required for Each Employee		Length of Time
Saskatchewan	<ul style="list-style-type: none"> • Name • Address • Sex • Date of birth • Details of any unwritten contract and copies of written contracts relating to wages or monetary benefits • Wage rate • Total wages per pay period • Time of beginning and end of work and meal breaks • Total hours of work each day and week that employee is expected to be at the employer's disposal • Details of deductions • Date of each wage payment • Date employment began and terminated 	<ul style="list-style-type: none"> • Details of annual holidays • Details of termination pay and details of every employee whose work is ordinarily performed at home, including the address where the work is performed and the portion of work performed at home <p>Note: The <i>Wages Recovery Act</i> requires the following information to be kept for 24 months after an entry is made: details of any unwritten contract and copies of written contracts relating to wages or monetary benefits, name, sex, date of birth, address, job description, wage rate and details of changes, total wages paid per pay period, daily and weekly hours of work and details of deductions made.</p>	5 years after termination of employment
Yukon	<ul style="list-style-type: none"> • Name • Address • Daily and weekly hours worked • Gross wages and details of deductions • Weekly overtime hours 	<ul style="list-style-type: none"> • Paid time off in lieu of overtime accumulated and taken weekly • Annual vacation taken • Leaves of absence taken • Conditions of employment 	12 months after the work is performed

APPENDIX B

SAMPLE RECORD RETENTION ARCHIVE

Sample record retention archive	
Type of Record 1. Paper 2. Electronic	Elimination A. General shredding B. Secure shredding C. Remove digitally
Security i. Not required ii. Locked cabinet iii. Secure archive room iv. Password protected	Access a. All b. Payroll and HR c. Payroll and Finance

Document(s)	Type of Record	Destroy After	Elimination	Security	Access	Archive Location	Department Responsible
2021 T4 slips	2	Dec 31, 2027	C	iv	b	Cloud	Payroll

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