

FALL 2016

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the newsletter of Prentice Yates & Clark

For the Record

Complete, accurate and readable records will make a CRA audit less onerous.

Regardless of whether your business is a proprietorship, a partnership or an incorporated company, the Canada Revenue Agency (CRA) requires the business to maintain financial books and records. Here are a few of the CRA's record-keeping requirements you should know.

Only in Canada, eh?

The CRA requires that records must be kept in Canada, either at your place of business or your residence. If your head office is in Canada and your books and records are stored electronically outside the country and accessed by your Canadian-based operation, these records are not considered to be maintained at your head office. Thus, if you are currently running cloud-based accounting software that is storing data in a foreign jurisdiction, your business is in violation of CRA requirements. If you wish to keep records in a jurisdiction other than Canada, you must seek written permission from CRA to keep them elsewhere.

Your Responsibility

Your business must assure the books and records are protected and available for inspection even if a third party is processing or storing the information. The third party must have adequate security and backup to be able to provide information when requested.

Records must be complete and unabridged.

Complete and Unabridged Records

Records must be complete and unabridged, have sufficient information to support your tax liability or claim to funds owing to you, be supported by documentation and be maintained in English or French, or a combination of both languages.

Electronically stored data must be readable by CRA software.



CRA Request

In the event the CRA requests information, it is your responsibility to:

1. **produce books and records (general ledger, accounts payable/receivable/payroll, etc.) requested, whether those records are in electronic form or hard copy:** It is not your responsibility to provide data that is not requested. Thus, it is prudent to request written documentation outlining specific requirements for your particular business.
2. **ensure documents supporting the books and records are available:** In the main, the CRA would like to see original-source documents such as expense receipts, contracts, sales receipts, etc. With most businesses opting for electronic processing of sales invoices, taking pictures of expense invoices, or receiving images of suppliers' invoices, hard-copy data is rapidly disappearing. Nevertheless, the transition to electronic copies does not diminish the responsibility to keep and be able to produce records upon request from the CRA.
3. **make sure your employees or the third-party record keeper is available when an audit or examination of records is required:** Cooperation in accessing and providing information means the CRA will be in and out of your office quickly.
4. **allow the CRA to make copies of the data or provide copies to the agent as requested:** Under normal circumstances, a business should not allow original-source documents to leave with a CRA agent.
5. **be able to decrypt encoded information in order to provide the data to the CRA:** If you change service providers, ensure that all data is readable.

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For the Record - continued

Factors to Consider

- If data is maintained on a remote server, whether inside or outside Canada, ensure original data can be downloaded to an in-house computer or to another server.
- If you use a cloud-based accounting service, make sure your business can download data in a user-friendly format. You should also consider whether you will be able to produce current data if you stop using your service provider or it goes out of business.
- Before upgrading or changing computers, ensure all data is backed up in at least two locations.
- Ensure software is available to open historical data.
- Store older computers with historical software and data.
- Keep a written record of all software and data access codes by year, device, software, and data base. Without such a record, you may not be able to access information five years from now.

Record Format

Original paper documentation must be kept in paper format unless it is converted to and stored in an accessible and readable electronic format. CRA guidelines suggest that microfiche and/or microfilm can be used as well; however, most businesses would probably opt for a high-speed scanner to store historic data. The CRA insists that any reproduction must provide the same detail as the original paper document without issues of “resolution, tonality or hue”.

Length of Storage Period

The CRA requires that all records and supporting documentation must be kept for six years from the end of the last tax year. The tax year is considered the fiscal year end for a corporation and the calendar year for an individual. This retention period is also required by the *Employment Insurance Act*, the Canada Pension Plan, and the *Excise Tax Act* (GST/HST).

Other Retention Issues

Documents concerning long-term acquisitions and disposal of property, the share registry, or other historical information that would have an effect on the sale, liquidation or wind-up of the business must be maintained indefinitely. CRA may ask you to maintain records for longer periods. If an income tax return is filed late, the destruction date is six years from the date the return was filed.

In the event of an objection or appeal, all data must be maintained until the latest of the:

- a. date the objection or appeal is resolved
- b. date for filing further appeals has passed
- c. six-year record-keeping period has expired.

If you are a sole proprietor or in a partnership, records must be kept for six years after the end of the taxation year of ceasing business. If a company is dissolved, keep all records and supporting documents for two years after the date of dissolution.

Before You Destroy Records

Legal representatives of a deceased taxpayer should obtain a clearance certificate before they destroy records that show how property of the deceased was distributed.

When concerned about GST/HST issues, it is advisable to ask for and fill out form **GST352 Application for Clearance Certificate**. If you wish to destroy records before the mandatory retention period, complete

form **T137 Request for Destruction of Records** or apply in writing to your local tax service office.

If you have made electronic copies of the original paper books of account and supporting documents and the CRA considers the images to be representative of the original documents, you can destroy the original paper documents.

Tax regulations suggest that destruction of records in advance of mandatory retention dates or before receiving official written permission may result in prosecution.

An Important Business Procedure

Records must be kept in a format and for the time period prescribed by the CRA and other regulatory bodies. Meeting regulations is an important business procedure that will ensure that any review of historical records by the CRA will be as effortless as a review of today's information. ♦



Tech Stress...It's a Pain

Bad posture and overuse of smartphones and other devices can cause unexpected health problems.

A recent British study of smartphone use showed that young adults checked their smartphones 85 times a day and used them for a total of five hours of use per day. The long-term effects of such constant smartphone use are not yet known but, if current studies and reports by the medical profession are any indication of the future, it would be advisable for all users to consider the impact smartphones and similar devices can have on their health.

In the Short Term

Text neck: a neck strain resulting from hunching over smartphones, tablets, or laptops for prolonged periods. Stress on the neck and upper back muscles causes pain because the body is subjected to an unnatural position for extended periods of time.

Text claw: a hand or wrist strain that occurs from continuous scrolling, texting or gaming. Individuals may also experience numbness in finger tips and pain radiating up to the forearm and elbow. Overuse of fingers and thumbs also causes irritation of the tendons and may lead to more serious conditions such as tendinitis or carpal tunnel syndrome.

Computer vision syndrome (CVS): eye strain resulting from constant staring at small text or from scrolling through articles, messages or tweets. Common symptoms are dry eyes, blurred vision, headaches, and dizziness.

Phantom pocket vibration syndrome (“ringxiety”): the belief that your smartphone is vibrating when it is not. Studies show that some individuals may experience increased anxiety levels when they go an extended period without receiving a notification.

Tech Stress...It's a Pain - continued

Nomophobia: ("no-mobile-phone-phobia") is a term coined to describe the anxiety of individuals to be without a smartphone. Sufferers obsessively check to ensure the smartphone is present and constantly worry about misplacing it.

A recent study in the U.K. determined that 66% of the user population may suffer from this "ailment." Symptoms include increased anxiety, which can manifest as a variety of physical symptoms including headaches, intestinal troubles, and muscle tension.

In addition to the more obvious outward physical pains and strains, there might even be a hidden tax on your health.

The Long Game

Medical specialists have determined that the poor posture caused, in part, by use of smartphones may cause excessive wear on the cervical spine (the neck) which can result in permanent degenerative changes including arthritis. The neck is designed to support the weight of your head (10 to 12 pounds) in an upright posture. Bending your head forward to text or read can place up to 60 pounds of stress on your neck muscles. This excess strain on your cervical spine over the years can increase the risk of cervical degeneration.

In addition to the more obvious outward physical pains and strains, there might even be a hidden tax on your health; when individuals use a smartphone, they tend to slump forward and curl their shoulders in toward their chest, thus restricting lung capacity. This, in turn, reduces oxygen intake and forces the heart to work harder to get oxygen to the brain. A lifetime of poor posture can have a negative impact on your cardiovascular health.

Preventing Injury

The best way to ensure these potential symptoms do not affect you is to stop using these devices completely. Since this is not possible, given our increasing dependence on technology, experts suggest the following may relieve symptoms and prevent long-term problems:

- Reduce eye strain by using larger fonts. Hold the device at least 16 inches from your face. Look up and away from the screen frequently. Scroll by page and not by line. Blink to ensure your eyes stay moist.
- During your next visit to a physician, physiotherapist, or chiropractor, ask about neck exercises you can do during work to help alleviate neck strain.
- If your wrists and hands feel sore or weak, try flexing your wrists or pushing down on a flat surface to stretch your fingers. If pain persists, talk to your doctor or physiotherapist.
- Improve your posture by evaluating the ergonomic setup of your work or home office. You can find an online self-assessment tool from the Ontario Ministry of Labour at: www.labour.gov.on.ca/english/hs/pubs/comp_erg
- Take regular and frequent stretch breaks (every 15 minutes or so), following the stretching guidelines provided by your doctor or physiotherapist. If you are prone to forget, set a reminder on your phone, computer or personal fitness tracker.
- If you have any of the symptoms associated with nomophobia or phantom pocket vibration, consider placing your device in a location more difficult to access when you're not using it and scheduling specific times to check and respond to messages. For more serious symptoms, consider seeking professional counselling.

Be Tech-Strain Aware

Communication devices have provided benefits beyond our wildest expectations. While those benefits cannot be denied, they have brought with them other unforeseen issues that may have a long-term impact on personal health and welfare. Recognition of these issues should lead management and staff to work to prevent future personal health issues and to maintain the productivity of the entire workforce.



Dashcams

Dashcams can provide the key evidence in a vehicle accident or fraud claim.

According to Transport Canada, automobile collisions in 2013 resulted in 165,306 personal injuries, of which 10,315 were serious and 1,923 were fatal. These statistics do not take into account the thousands of fender-benders that are not included in Transport Canada's data. According to the Allstate 2015 Safe Driving Study, rear end collisions accounted for 25% of all accidents while turning at intersections was a close second at nearly 24%. Interestingly, almost 14% of reported accidents involved a parked vehicle.

Owner-managers have need to be concerned about accidents in company-driven vehicles. It may be worth considering outfitting your company-owned vehicles with an onboard camera, better known as simply a dashcam. Typically, a dashcam is used to continuously record video through the windshield. Having a dashboard camera in your vehicles could provide evidence regarding an accident which may help to mitigate legal or settlement costs, as well as to provide detail to establish the driver's responsibility.

Must-Have Features

Get the best **video resolution** you can afford; for better results consider models that record in at least 1080p High Definition (1920 x 1080 pixels); additionally, quality **night recording** capability is a must.

The **viewing angle** (i.e., how much of the world the camera can see) is an important consideration. A wide-angle lens such as 160-degrees may capture more in the frame but may produce a more distorted image; narrower lenses are more likely to pick up sharper details.

Loop recording automatically overwrites the oldest footage.

Almost all dashcams *should* have loop recording that automatically overwrites the oldest recording when the storage card becomes full. Choose a dashcam with a **G-sensor**. The G-sensor automatically indicates when the vehicle is involved in a collision or if there is a need for emergency braking. This specific footage will not be deleted by the loop recording. Given the number of claims involving a parked vehicle, a **motion detector** feature may prove handy. Upper-tier dashcams should incorporate a buffered parking mode that continuously records what is happening while the vehicle is parked but does not record to memory unless stimulated by the G-force sensor or by the visual motion detector program.

Dashcams - continued

Auto start should be standard. Every time the vehicle is started the dashcam should start recording automatically so that the driver does not have to remember to turn the device on. On the flip side is the need for automatic shut off to avoid draining the vehicle's battery.

Battery drain is a problem with some dashcam models because they run off the vehicle's power. Consider models that either contain their own battery for when the car is off, or can automatically shut off when they detect the vehicle's battery is getting too low to start the engine.

You may wish to consider a unit with a **GPS option**. Having GPS support most likely does not include any navigation assistance, but it can record the exact speed and position of the vehicle. Some units have the GPS built in and others can connect to an existing GPS device to receive that data.

Date and time stamp are a must. That said make sure the date and time are set up properly. Check the settings occasionally and recalibrate as necessary.

Forward-looking cameras are great, except that when one considers that 25% of accidents happen from behind, it makes sense to consider a **Dual Channel** model: in addition to the forward-facing camera, some units include a second camera that can be used to look through the rear-view mirror or be mounted in the rear-window.

In that dashcams are mounted at the top and near the centre of the windshield ensure that the power cord is long enough to permit concealment in the vehicle's window seals whether or not the device is plugged into the dash power source or directly mounted to the vehicle power source.

Memory is extremely important. The more memory available, the longer the camera can run without having to over-write older video. Some units may include a smaller memory card than the maximum they can support. Because memory cards are relatively inexpensive, you may wish to consider maxing out the memory. Do not settle for less than a 64 GB SD card; 128 GB would be even better.

WiFi ranges from a useful feature to an absolute must, depending on the model. Some models include a built-in LCD screen to view and replay recordings right on the device. However, for models that do not include a screen, you may be able to view and download videos from the dashcam to a smartphone or tablet using a WiFi connection. WiFi also allows an easy way to retrieve videos from the dashcam without having to remove the physical memory card.

Check Provincial Regulations

It should be noted that at least one manufacturer combines a radar-detector product with dashcams, which can help users share information on radar and red light cameras, as well as other traffic issues. Before purchasing these devices, check with your province as to whether the units are legal. Further, if vehicles will cross provincial boundaries it would be prudent to determine which provinces discourage or have outlawed radar detectors; the penalties may range from confiscation of the device to stiff fines.

Expensive But Worth It

Inexpensive dashcams can be found for under \$100; however, feature-rich models will likely cost about \$400-500 per vehicle. Having a recording from a high-end dashcam can go a long way to providing evidence in the event of an accident or a fraudulent insurance claim. As well, they will provide information to monitor employees' driving habits and check the routes being driven.

Can your business afford to be without a dashcam? ♦

Inside PYC

Congratulations to Sviato Romaniuk for successfully completing the CPA Common Final Exam (CFE) achieving honour roll status which is within the top 20 placement in Canada. Sviato will continue to accumulate work experience toward his designation as a CPA.

The annual Ontario Non-Profit Association (ONPHA) conference will be held November 4th to 6th in Toronto where J.J. Pauze and Charlie Petralito will be at the Trade Show, Viola Bardhoshi will be presenting the Award of Excellence at the opening plenary and Tom McGivney will be discussing ONPHA's audited financial statements at the AGM.

Congratulations to Paul Jaroszko, Manager, in reaching the 10 year milestone of service at PYC. Paul received his CA designation in 2009 while articling at PYC.



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