



Canada Revenue  
Agency

Agence du revenu  
du Canada

November 26, 2021

SENT BY AUDIT ENQUIRIES

**Subject: Audit of your Canadian Emergency Wage Subsidy claims**

**Business #**

**Payroll program account #**

**Case #:**

The Canada Revenue Agency (CRA) realizes that COVID-19 has had a significant personal and economic impact on Canadians. The CRA is aiming to respond and operate in a way that balances these realities with its duty to administer Canada's tax laws.

To ensure that those Canadians who received emergency response benefits were entitled to them and to identify any errors in the claims submitted, the CRA will be conducting audits on Canada Emergency Wage Subsidy (CEWS) claims.

Following the telephone conversation we had with \_\_\_\_\_ November 26, 2021, we are auditing the CEWS received by \_\_\_\_\_ for the claim periods shown below:

- Period 9- begins on October 25, 2020 and ends on November 21, 2020;
- Period 10- begins on November 22, 2020 and ends on December 19, 2020
- Period 11- begins on December 20, 2020 and ends on January 16, 2021;
- Period 12- begins on January 17, 2021 and ends on February 13, 2021;
- Period 13- begins on February 14, 2021 and ends on March 13, 2021;
- Period 14- begins on March 14, 2021 and ends on April 10, 2021;
- Period 15- begins on April 11, 2021 and ends on May 8, 2021;

The audit will not be done at your place of business and will start when we receive the required documents.

Under subsection 231.1(1) of the Income Tax Act, officers of the CRA may inspect, audit, and examine your books and records. Please provide all the documents listed in Appendix A by **Friday, December 17, 2021**.

As discussed, given the nature of the wage subsidy program, the CRA is starting these audits sooner than usual. This should help both the taxpayer and the CRA to find and provide the requested documents, as well as explain the approaches taken in the CEWS application.

This is a limited scope audit that we anticipate can be completed efficiently and effectively if the requested documentation is made available in a timely manner and if the appropriate individuals are available to respond to our questions. Please note, we may request more information to support the CEWS received for the claim periods under audit. While this audit is a limited review, it could be expanded to include additional claim periods if we note compliance issues.

If your accounting books and records are in electronic format, you or your authorized representative can submit them electronically through the My Business Account or Represent a Client online service portals. These CRA services offer a secure, quick, and easy way to manage your tax information online. While our

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portals accept many file formats, please submit your numerical records in spreadsheet format (.xls or .xlsx).

If you want to submit your books and records electronically, please use case #

If you have not registered for My Business Account and would like to do so, please go to [canada.ca/cra-login-services](http://canada.ca/cra-login-services). For more information, on how to submit documents, go to [canada.ca/cra-submit-documents-online](http://canada.ca/cra-submit-documents-online).

You can authorize your representative online using the Authorize my representative service in My Business Account and they will have instant access to your information and the online services to easily manage your account. This will allow your representative to discuss your information with us during the audit.

To help you understand your rights with the CRA, please read the Taxpayer Bill of Rights at [canada.ca/taxpayer-rights](http://canada.ca/taxpayer-rights). The Bill is a set of 16 rights confirming that the CRA will serve taxpayers with a high degree of accuracy, professionalism, courtesy, and fairness.

To help you prepare for the audit, please read Pamphlet RC4188, What You Should Know About Audits, at [canada.ca/cra-forms](http://canada.ca/cra-forms) by typing the publication number or name in the search box or by calling us at 1-800-959-8281 for individual income tax enquiries or for business and self-employed individual enquiries.

If you have questions about the audit, please call me at . You or your representative can also reach me electronically through My Business Account or Represent a Client. After logging into your account, click on the Audit enquiries link, and use your case number: . To send me your questions. All communication sent electronically through the portals using your case number is to my attention only.

You can also reach my team leader

Sincerely,

Audit Division

Tax Services Office: Edmonton TSO

Address: Suite 10 9700 Jasper Avenue

Edmonton AB T5J 4C8

Website: [canada.ca/revenue-agency](http://canada.ca/revenue-agency)

Enclosure: Appendix A. Required Books and Records

**Appendix A**  
**Required Books and Records**

1. Documents to support the calculation of revenues for the 2019 tax year:
  - a) General ledger data for 2019
  - b) Year-end trial balance
  - c) Monthly trial balances (if available)
  - d) Revenues:
    - i. Adjusting entries that affect monthly and year-end revenues
    - ii. A reconciliation of revenues from the general ledger to trial balances
    - iii. A reconciliation of revenues from trial balances to year-end financial statements
2. Documents to support the calculation of revenues for the 2020 tax year:
  - a) Monthly general ledger data for 2020
  - b) Monthly trial balances (if available)
  - c) Revenues:
    - i. Adjusting entries that affect monthly and year-end revenues
    - ii. A reconciliation of revenues from monthly revenue reports to trial balances
    - iii. A reconciliation of revenues from trial balances to year-end financial statements
3. Revenue information for purposes of computing the Canada Emergency Wage Subsidy (CEWS) revenue drop:
  - a) Detailed working papers substantiating your computation of qualifying revenue for the:
    - i. Current reference period
    - ii. Prior reference period
  - b) Documents relating to any deferred revenues, holdbacks, and unearned revenues
4. Breakdown of these items if they have been excluded from qualifying revenue:
  - a) Extraordinary items
  - b) Revenues from non-resident related parties
  - c) Revenues from non-arm's length persons
  - d) Government subsidies
5. Payroll information:
  - a) Detailed payroll journal information (Gross, CPP, EI, QPP, QPIP, Tax, Net):
    - i. By pay period
    - ii. By employee
    - iii. Including SIN
  - b) For CEWS claim periods: March 15, 2020 to present
  - c) For pre-crisis pay (baseline remuneration) period:  
2020 – January 1 to March 15  
or  
2019 – March 1 to May 31 (\*new option for employers)
  - d) Working papers reconciling payroll data to lines A to C on the CEWS

- application
- e) List of employees who were not dealing at arm's length with the eligible entity during the qualifying period
6. Manual calculation data that aligns irregular pay periods with weekly periods for purposes of CEWS
  7. Bank statements for all CEWS periods as well as the baseline remuneration period
  8. Proof of payment to employees - any additional documents that will demonstrate that the employee was paid, if it is not evident in the general ledger and bank statements
  9. Signed copy of Form RC661, Canada Emergency Wage Subsidy Attestation, filed with your application for the periods covered in this letter
  10. Information relating to other subsidies and other government programs that impact the CEWS claim:
    - a) 10% Temporary Wage Subsidy for Employers - supporting documents related to amounts claimed for the 10% Temporary Wage Subsidy for Employers
    - b) Work-sharing amounts - supporting documents related to amounts claimed under Employment and Social Development Canada's Work-Sharing Benefit program
  11. List of employees on leave with pay and dates:
    - a) A breakdown of the CPP, EI, QPP, and QPIP used to fill in Lines D and E on the application
    - b) A manual calculation to reflect the remuneration paid in respect of that claim if your payroll cycle does not align with the CEWS for the claim periods
  12. If you are using an exception or making an election with respect to CEWS, please provide the following information for the exceptions/elections that you filed:
    - a) If a group of eligible entities normally prepares consolidated financial statements and each member of the group has determined its revenue separately on a non-consolidated basis under paragraph 125.7(4)(a) of the Income Tax Act:
      - i. Information referred to in items #2 and #3 above for the eligible entity
      - ii. A reconciliation to show how you arrived at revenues that arose in Canada if revenues include revenues that were earned in a foreign jurisdiction
    - b) If an eligible entity and each member of an affiliated group of eligible entities of which the eligible entity is a member jointly elect to use a consolidated basis for determining qualifying revenues under paragraph 125.7(4)(b) of the Act:
      - i. Names and business account numbers for the eligible entities in the consolidated group
      - ii. Detailed financial statements for the prior reference period

- iii. Canadian consolidated financial statements for the prior reference period
- iv. Consolidation workbook by Canadian legal entities for the prior reference period
- v. Group reporting package including supporting schedules/commentary
- vi. Eliminating entries that tie into the consolidation workbook
- vii. A reconciliation to show how you arrived at revenues that arose in Canada if consolidated revenues include revenues that were earned in a foreign jurisdiction
- viii. For 2020, the monthly consolidating trial balances for each entity
- ix. For 2020, the monthly consolidating workbook
- x. For 2020, any adjusting and eliminating entries
- xi. Detailed working papers that show the computation of qualifying revenues for both the current and prior reference periods
- c) If an election under paragraph 125.7(4)(c) of the Act was made by an eligible entity in respect of a joint venture:
  - i. Names and business account numbers for the eligible entities in the consolidated group
  - ii. Financial statements of those entities
  - iii. Information referred to in items #2 and #3 above for the eligible entity
  - iv. A reconciliation to show how you arrived at revenues that arose in Canada if the joint venture's revenues include revenues that were earned in a foreign jurisdiction
- d) If a joint election was made by the eligible entity with each person or partnership with whom it does not deal at arm's length and from whom the employer earns all or substantially all of its qualifying revenue under paragraph 125.7(4)(d) of the Act (non-arm's length revenue):
  - i. Names and business account numbers for the eligible entities in the consolidated group
  - ii. Financial statements of those entities
  - iii. Information referred to in items #2 and #3 above for the eligible entity
  - iv. A reconciliation to show how you arrived at revenues that arose in Canada if revenues include revenues that were earned in a foreign jurisdiction
  - v. Working papers detailing how qualifying revenues were computed for those entities
- e) If an election under paragraph 125.7(4)(e) of the Act (cash method) was made:
  - i. Information referred to in items #2 and #3 above for the eligible entity
  - ii. A reconciliation to show how you arrived at revenues that arose in Canada if consolidated revenues include revenues that were earned in a foreign jurisdiction
  - iii. Working papers detailing how qualifying revenues were computed for those entities

- f) If an election under subparagraph (b)(ii) of the definition "prior reference period" in subsection 125.7(1) of the Act (prior reference period election) was made:
  - i. An explanation why this method was selected
  - ii. Incorporation documents or documents validating the formation of the eligible entity if this method was selected because the entity did not exist prior to March 1, 2019
  - iii. Information referred to in items #1 and #2 above, except reference to the 2019 year in #2 above will read as January and February 2020
- g) If an election under subparagraph (a)(ii) or (b)(ii) of the definition "qualifying revenue" in subsection 125.7(1) of the Act (election by registered charity or not-for-profit to exclude government funding) was made:
  - i. A working paper reconciling revenues in the general ledger to qualifying revenues
  - ii. Supporting information with respect to the government funding that is being excluded from revenues