

PROTECTED B

September 11th 2020

Mr. John Smith, owner
ABC Corporation

Our Case #:
12345

Dear Mr. Smith:

Subject: Your application for the Canadian Emergency Wage Subsidy (CEWS)

We are writing you to advise that your Canada Emergency Wage Subsidy (CEWS) application for the following claim period(s) are currently under review:

March 15th, 2020 to April 11th, 2020
April 12th, 2020 to May 9th, 2020
May 10th, 2020 to June 6th, 2020
June 7th, 2020 to July 4th, 2020

Further to the telephone conversation we had with you on September 11th 2020, we will be examining your books and records that support your Canadian Emergency Wage Subsidy (CEWS) application.

Given the unusual nature of the wage subsidy program, the CRA is commencing reviews earlier than it normally would. We anticipate that this approach will assist both taxpayers and the CRA in locating and providing requested documentation, and being able to provide explanations of approaches taken in the CEWS application.

The Income Tax Act, Canada Pension Plan, and Employment Insurance Act state that you must keep books and records and that an officer of the Canada Revenue Agency (CRA) may examine them. We will require access to the various documents listed in the attached Appendix A for the purpose of administering and enforcing the income tax rules in the context of this review.

In addition, please refer to the attached Appendix B which describes procedures for information requests throughout this process.

I would like to take this opportunity to direct you to My Business Account and Represent a Client, which, in addition to facilitating electronic documents transfer for the purposes of this review, allows you to view and control many other services such as filing a return or election, and authorizing or managing representatives who can submit records on your behalf. For more details or to register for My Business Account, go to canada.ca/my-cra-business-account.

After you send the requested books and records, it is important that the sole proprietor of the business, the partners of the partnership or a director of the corporation be available by phone to answer questions.

If you don't provide the requested books and records, we may disallow your CEWS claim(s) in full without further notice.

For more information, please call CRA at (123) 456-7890.

If you doubt the validity of this request, please call our Business Enquires line at 1-800-959-5525. You can verify this number at Canada.ca. An agent can confirm that I am an employee with the Canada Revenue Agency.

Yours truly,

Employer Compliance Officer
Employer Compliance Division
Central and Southern TSO

Appendix A

Required Books and Records

Please ensure the following documents, with reference to the Canada Emergency Wage Subsidy (CEWS) claim periods March 15th, 2020 to April 11th, 2020, April 12th, 2020 to May 9th, 2020, May 10th, 2020 to June 6th, 2020 and June 7th, 2020 to July 4th, 2020, are available for our review by September 26th 2020. If you anticipate delays in providing these documents, please contact CRA to discuss the reason(s) for delay and, where appropriate, make alternate arrangements for the provision of such documents.

You can send the documents through the Submit documents service which is located in the My Business Account (MyBA) and Represent a Client (RAC) portals. Submit documents is a secure online service that allows registrants to send their accounting information to the CRA electronically. Please note that in order to successfully send the documents you will need to enter the following reference number 12345

For more information, please go to canada.ca/cra-submit-documents-online.

Please provide the information requested below:

1. Documents from the minute books of ABC Corporation, which include the following:
 - a) Any excerpts of governance documents included in the corporate minute book as they relate to the CEWS claim.
 - b) Various agreements including partnership agreements, banking resolutions and directors' resolutions that demonstrate the decision making process and approvals for making a CEWS claim.
 - c) Shareholder register
 - d) A list of the entities and businesses within the corporate group that includes their names, the type of entity and their business number:
 - i. Corporations
 - ii. Exempt entities pursuant to paragraphs 149(1)(e),(j), (k) or (l) of the Income Tax Act (ITA)
 - iii. Trusts
 - iv. Partnerships
 - v. Joint ventures
 - vi. Registered charities
 - vii. Public institutions
 - viii. Prescribed corporations
 - e) Did the type and status of the entities change from 2019?
 - i. Are there any newly incorporated or amalgamated entities? If yes, provide the information listed in Item #2 and #3 below.
 - ii. Were any of the entities recently wound up or dissolved? If so, provide details of this windup including the information requested in #2 and #3 below with respect to the related entities.
 - f) Agreements with respect of inter-company loans/advances.
 - g) Agreements with respect to employee loans.
2. Revenues in respect of the 2019 taxation year:
 - a) General ledger data for 2019
 - b) Year end trial balance
 - c) Monthly trial balances
 - d) Revenues:

Appendix A

- i. Monthly sales reports that break down sales by revenue type and source
 - ii. Sales journals
 - iii. Cash receipts journals
 - iv. Bank statements
 - v. Adjusting entries that affect monthly and year end revenues
 - vi. A reconciliation of revenues from monthly revenue reports to trial balances
 - vii. A reconciliation of revenues from trial balances to year end financial statements
 - viii. Working papers detailing how qualifying revenues were determined
3. Revenues in respect of the 2020 taxation year:
 - a) Monthly general ledger data for 2020
 - b) Monthly trial balances
 - c) Revenues:
 - i. Monthly sales reports that break down sales by revenue type and source
 - ii. Sales journals
 - iii. Cash receipts journals
 - iv. Bank statements
 - v. Adjusting entries that affect monthly and year end revenues
 - vi. A reconciliation of revenues from monthly revenue reports to trial balances
 - vii. A reconciliation of revenues from trial balances to year end financial statements
 - viii. Working papers detailing how qualifying revenues were determined
4. Revenue information for purposes of computing the CEWS revenue decline percentages:
 - a) Provide detailed working papers substantiating your computation of qualifying revenue for the:
 - i. Current reference period
 - ii. Prior reference period
 - b) Please provide your revenue recognition policy for all items included in revenues.
 - c) If the entity has deferred revenues, holdbacks, unearned revenues please provide a copy of the revenue recognition policy for these items.
 - d) Provide a brief description of your normal business activities.
 - e) Provide a summary of:
 - i. The source of revenues
 - ii. Revenues by geographic location (Canadian vs foreign jurisdictions)
 - f) Please provide supporting information with respect to qualifying periods that were deemed pursuant to subsection 125.7(9) of the Income Tax Act to meet the revenue decline test because they met the revenue decline test for the prior qualifying period.
5. General Payroll information:
 - a) Payroll journals for January 2020 to current and, if required, March 1 to May 31, 2019 (*new baseline remuneration option for employers) if this was used.
 - i. Payroll journals (registers) that show salary, wages, other remuneration, taxable benefits (provided such amounts are actually paid), and fees, commissions or other amounts paid for services, including deductions for income tax, Canada Pension Plan (CPP) contributions, employment insurance (EI) premiums, Quebec Pension Plan (QPP), Quebec Parental Insurance Plan (QPIP).
 1. By pay period
 2. By employee
 3. Including date the employees were paid
 4. Including dates the employee worked (time sheets)
 5. Including SIN

Appendix A

- ii. Working papers reconciling payroll data to lines A to C on the CEWS application.
 - b) Manual calculation data that aligns the payroll cycle with the wage subsidy for the claim periods for purposes of CEWS (when payroll dates do not line up with CEWS period)
 - i. Please provide a copy of the manual calculation data.
 - ii. If not available, we will require the following detailed pay information:
 - 1. If employees are paid hourly, provide their time sheets in order to determine how much was paid on which day.
 - 2. If the employees are salaried, provide what days of the week are worked (Monday to Friday, a four day work week, etc.).
 - c) List of furloughed employees (on leave with full or partial pay) and dates
 - i. Including the CPP, EI, QPP, and QPIP breakdown used to fill in Lines D and E on the application.
 - ii. If your payroll cycle does not align with the wage subsidy for the claim periods, provide a manual calculation to reflect the remuneration paid in respect of that claim.
 - d) List of employees
 - i. Include employee S.I.N's,
 - ii. Employment contract, and
 - iii. indicate if they deal with the employer at arms length or not
 - e) Bank Statements
 - i. Please provide bank statements for all CEWS periods as well as the baseline remuneration period.
 - f) Proof of payment to employees
 - i. Please provide the following:
 - 1. Bank statements
 - 2. Disbursement journals if employees were paid in cash
 - 3. Any additional documents that will demonstrate that the employee was paid
- 6. Information relating to other subsidies and other government programs that impact the CEWS claim:
 - a) 10% Temporary Wage Subsidy
 - i. Supporting documentation related to amounts claimed for the 10% Temporary Wage Subsidy.
 - 1. Please provide a working paper or reconciliation to the amount claimed on the CEWS application.
 - ii. Completed Form PD27, 10% Temporary Wage Subsidy Self-Identification Form for Employers.
 - b) Work-sharing amounts
 - i. Supporting documentation related to amounts claimed under ESDC's Work-Sharing Benefit program.
 - 1. Please provide a working paper or reconciliation to the amount claimed on the CEWS application.
- 7. General Ledger
- 8. Provide a signed copy of the Attestation filed with your application for the periods covered in this letter.
- 9. If you are utilizing an exception or making an election with respect to CEWS, please provide the following information for the exceptions/elections that you filed:

Appendix A

- 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 pursuant to 125.7(4)(a) of the ITA then please provide the following information:
 - i. Provide the information in #2 and #3 above for the eligible entity.
 - ii. If revenues include revenues that were earned in a foreign jurisdiction, please provide a reconciliation to show how you arrived at revenues that arose in Canada.
- 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 pursuant to paragraph 125.7(4)(b) of the ITA then please provide the following information:
 - i. The 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. If consolidated revenues include revenues that were earned in a foreign jurisdiction, please provide a reconciliation to show how you arrived at revenues that arose in Canada
 - viii. For 2020, provide the monthly consolidating trial balances for each entity
 - ix. For 2020, provide the monthly consolidating workbook
 - x. For 2020, provide any adjusting and eliminating entries
 - xi. Provide 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 ITA was made by an eligible entity in respect of a joint venture then please provide the following information:
 - i. The names and business account numbers for the eligible entities in the consolidated group
 - ii. The financial statements of those entities
 - iii. Provide the information in #2 and #3 above for the eligible entity
 - iv. If joint venture's revenues include revenues that were earned in a foreign jurisdiction, please provide a reconciliation to show how you arrived at revenues that arose in Canada
- d) If a joint election, along with each person or partnership with which the employer 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 ITA (non-arm's length revenue) then please provide the following:
 - i. The names and business account numbers for the eligible entities in the consolidated group
 - ii. The financial statements of those entities
 - iii. Provide the information in #2 and #3 above for the eligible entity
 - iv. If revenues include revenues that were earned in a foreign jurisdiction, please provide a reconciliation to show how you arrived at revenues that arose in Canada
 - v. Working papers detailing how qualifying revenues was computed for those entities
- e) If an election under paragraph 125.7(4)(e) of the ITA (cash method) was made, please provide the following information:
 - i. A copy of your revenue recognition policies for recognizing revenues
 - ii. Provide the information in #2 and #3 above for the eligible entity

Appendix A

- iii. If consolidated revenues include revenues that were earned in a foreign jurisdiction, please provide a reconciliation to show how you arrived at revenues that arose in Canada
 - iv. Working papers detailing how qualifying revenues was 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 Income Tax Act (prior reference period election) was made please provide:
 - i. An explanation why this method was selected
 - ii. If this method was selected because the entity did not exist prior to March 1, 2019, please provide incorporation documents or documents validating the formation of the eligible entity
 - iii. Provide the information in #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 Income Tax Act (election by registered charity or not-for-profit to exclude government funding) was made, please provide:
 - i. A working paper reconciling revenues in the general ledger to qualifying revenues
 - ii. Provide supporting information with respect to the government funding that is being excluded from revenues
10. Remuneration - Exclusions
- a) Provide a list of employees who were not receiving eligible remuneration for 14 or more days in a qualifying period.
 - b) Provide a list of employees including SINS who are independent contractors with respect to a qualifying period.
 - c) Provide a list of employees including SINS who were not dealing at arms length with the eligible entity during the qualifying period.
 - d) A summary of severance payments and retiring allowances paid to employee(s) during each claim period.
 - e) Provide a summary of employees receiving stock option benefits and details of those benefits for each claim period.
 - f) Provide a list of non-resident employees and the weeks they worked in Canada for the following periods:
 - i. January to March 15, 2020; or
 - ii. March 1, 2019 to May 31, 2019; and
 - iii. during the claim period.
 - g) Provide a list of amounts that were repaid (or are expected to be repaid) back to the eligible entity, person or partnership not dealing at arms-length with the eligible entity.
11. Qualifying Revenue - Exclusions, please provide a breakdown of these items:
- a) Extraordinary items
 - b) Revenues from non resident related parties
 - c) Revenues from non-arms length parties
 - d) Government subsidies

Appendix B

Procedures for Information Requests

This Appendix outlines general procedures for requesting and communicating information in the regard to the Canada Emergency Wage Subsidy review of ABC Corporation.

Due to the exceptional circumstances currently being felt by Canadians because of the ongoing COVID-19 emergency, the Canada Revenue Agency (CRA) is following temporary protocols to facilitate communications with taxpayers. As a result, in almost all circumstances during the course of this review, the CRA officer will be conducting this review virtually away from taxpayer's place of business using the current protocols in place for communicating taxpayer information.

Information Request Turnaround Time:

It is anticipated that the turnaround time for the vast majority of information requests should be not more than 10 business days if the electronic transmission of the information is a viable option and the information is readily available given that the CEWS claims have recently been submitted to the CRA. Where it appears that a response will require additional time, please advise us as soon as possible with an explanation. A revised response date may then be established.

Electronic Portal:

The preferred method for submitting and/or receiving documents electronically is through the CRA's secure portals. As mentioned in the cover page to this letter, My Business Account (MyBA) and Represent a Client (RAC) which, in addition to facilitating electronic documents transfer, allow you to view and control many other services such as filing a return or election, and authorize representatives who can submit records on your behalf. For more details or to register for MyBA or RAC please go to the CRA website canada.ca/cra-submit-documents-online. To the extent that this portal is a viable option for transmitting documents electronically, it will be used extensively during the course of this review.

Other Communication Methods:

CRA officers continue to communicate with taxpayers via telephone. However, in an effort to continue to provide critical services to Canadians during the current crisis situation, many CRA officers will be using a cellular phone to communicate with taxpayers. Communications on a cellular phone entails increased risks as sensitive information can be intercepted by a third party. Consequently, taxpayers will be asked if they would like to continue the call or whether they would prefer to explore more secure methods of communicating with the CRA. You will be informed in advance if a cellular phone is being used and you will be asked to approve the use of the cell phone or suggest another viable option.