

Tax help series

Keeping records for business – what you need to know

We all need to keep financial records for various reasons. If you fill in a tax return, VAT return or claim benefits or tax credits, there are some special rules.

Here we tell you about:

- how keeping good records helps you
- why you need to keep records
- the records you need to keep
- how to keep your records
- how long you need to keep your records
- getting things right from the start
- where to get further information.

Keeping good records helps you

Having a good record keeping system which you keep up to date will help you:

- keep track of your expenses
- ask for a bank loan or credit if you need to
- see quickly what you are owed by others and how much you owe them
- save time and accountancy costs
- pay the correct amount of tax
- receive the correct amount of benefits or credits
- avoid paying any extra tax or penalties.

Why you need to keep records

If you have to fill in and send us a tax return, the law says that you should keep all the records and documents you need to enter the correct figures. If we need to check your return, we may ask to see the records you used to complete it.

Record keeping penalties

If you do not keep adequate records or you do not keep your records for the required period of time, you may have to pay a penalty.

Penalties for an inaccurate return

If you send us an inaccurate return you may have to pay a penalty. Good, up to date records will help you fill in your return correctly and so help you to avoid this penalty.

However, people do make mistakes. You will not have to pay a penalty if you can show us that you took reasonable care to get your return right but still made a mistake. Some of the ways in which you can show you've taken reasonable care include:

- keeping full and accurate records which are regularly updated and saved securely
- checking with HMRC or an agent or accountant if there is something that you don't understand.

Customers with particular needs

If you need extra help, please let us know. For example, if:

- English is not your first language
- you would like us to use a certain format to communicate with you, for example, Braille or Text Relay. If you use Text Relay by
 - textphone, dial 18001 + number
 - phone, dial 18002 + number
- you would like us to visit you at home because it is difficult for you to get to one of our offices.

What if you are unhappy with our service

If you are unhappy with our service, please contact the person or office you have been dealing with. They will try to put things right. If you are still unhappy, they will tell you how to complain.

Our factsheet C/FS Complaints, also tells you how to make a complaint. You can get a copy of this from our website.

Go to www.hmrc.gov.uk and look for C/FS within the search facility or under the quick links menu select Complaints & Appeals.

Your rights and obligations

Your Charter explains what you can expect from us and what we expect from you. For further information please go to www.hmrc.gov.uk and under *Quick links* select *Your Charter*.

The records you need to keep

The sort of records you need to keep depends upon the type of tax you have to pay. To find out what records you should be keeping, use the interactive tool at www.businesslink.gov.uk/recordkeepingcheck

At the end of this factsheet there are tables which give examples of the most common records.

How to keep your records

The law does not say how you must keep your records. You must keep some original documents which show that tax has been deducted. An example is form P60 (end of year certificate for PAYE). We recommend that you keep all original documents you receive.

Most records can be kept electronically (on a computer or any storage device such as disk, CD, memory stick or microfilm) as long as the method you use:

- captures all the information on the document (front and back) and
- allows the information to be presented to us in a readable format, if we need to see it.

How long to keep your records

As a general rule, you should keep your records for a minimum of six years. However, if you are:

- an employer, you need to keep Pay As You Earn (PAYE) records for 3 years (in addition to your current year)
- a contractor in the Construction Industry Scheme (CIS), you need to keep your CIS records for 3 years (in addition to your current year)
- keeping records to complete a personal (non business) tax return, you only need to keep them for 22 months from the end of the tax year to which they relate.

If you need to keep records for other reasons, for example the Companies' Act requires limited companies to keep specific records and you also use those records for tax purposes, you need to be aware that there may be different time limits for retaining them. Be careful not to destroy any records you also use for tax purposes too soon.

Right from the start

It is especially important if you are starting a new business that you get a proper record keeping system in place from the beginning.

For information about setting up in business, including a video about record keeping, go to www.businesslink.gov.uk/taxhelp

For a guide to help you to set up a record keeping system, go to www.businesslink.gov.uk/startrecordkeeping

To find out what records you need to keep, go to www.businesslink.gov.uk/recordkeepingcheck

Go to our website for a list of records that you need to keep

Benefits and expenses

www.hmrc.gov.uk/payee/exb/overview/recordkeeping.htm

Capital Gains Tax

www.hmrc.gov.uk/cgt/intro/record-keeping.htm

Construction Industry Scheme (CIS)

www.hmrc.gov.uk/cis/returns/returns-records.htm

Corporation Tax

www.hmrc.gov.uk/ct/managing/record-keeping.htm

Money Laundering Regulations

www.hmrc.gov.uk/mlr/problems-checks/visits.htm

Partnerships

www.hmrc.gov.uk/sa/rec-keep-part-partners.htm

PAYE

www.hmrc.gov.uk/payee/payroll/day-to-day/records.htm

Self assessment – individuals and directors

www.hmrc.gov.uk/sa/record-keeping.htm

Self-employed

www.hmrc.gov.uk/sa/rec-keep-self-emp.htm

Trustees

www.hmrc.gov.uk/trusts/trustee/record-keeping.htm

VAT

www.hmrc.gov.uk/vat/managing/returns-accounts/accounts.htm

The records that you need to keep and further advice

The records you need to keep will depend on the size and complexity of your business and the different taxes that you have to pay, collect or charge. These tables show the most commonly required records and documents. If the law **requires** you to keep specific records, this is highlighted in the table below.

For more detailed information, please refer to the HMRC website addresses for specific taxes listed in the right hand column, or go to 'A general guide to keeping records for your tax return' at www.hmrc.gov.uk/sa/rk-bk1.pdf

Self-employed and partnerships		
Form or record	Why	Further information
<p>A record of all sales and takings, including cash receipts. For example</p> <ul style="list-style-type: none"> till rolls sales invoices bank statements paying-in slips accounting records. <p>A record of all purchases and expenses, including cash purchases. For example:</p> <ul style="list-style-type: none"> receipts purchase invoices bank and credit card statements cheque book stubs motoring expenses and mileage records accounting records. 	<p>Allows you to quickly see what you are owed and accurately work out your total income.</p> <p>Allows you to quickly see what you have spent, how much you owe and what you can claim for tax purposes.</p>	<p>Self-employed: go to www.hmrc.gov.uk/sa/rec-keep-self-emp.htm</p> <p>Partnerships: go to www.hmrc.gov.uk/sa/rec-keep-part-partners.htm</p> <p>Phone Self Assessment Helpline 0845 900 0444</p>
Additional records if your business is VAT registered <i>All these are required by law</i>		
<ul style="list-style-type: none"> VAT account. VAT sales and purchase invoices. Import and export documentation, for example, delivery notes. 	<p>This summary of your allowable VAT inputs and outputs helps you complete your VAT returns accurately.</p>	<p>VAT: go to www.hmrc.gov.uk/vat/managing/returns-accounts/accounts.htm</p> <p>Phone VAT Helpline 0845 010 9000</p>
Construction Industry Scheme (CIS) <i>All these are required by law</i>		
Form or record	Why	Further information
<p>Contractor Details of all payments made to all subcontractors for work done and materials subcontractors have purchased. For example, subcontractor invoices.</p> <p>Subcontractor Details of all payment and deduction statements. For example, copies of invoices issued and payment statements received.</p>	<p>To work out the right amount of CIS deductions that you need to make and pay.</p> <p>To fill in your monthly CIS returns accurately</p>	<p>Construction Industry Scheme (CIS): go to www.hmrc.gov.uk/cis/returns/returns-records.htm</p> <p>Phone CIS Helpline 0845 366 7899</p>

Records you need to keep *continued*

Limited companies		
Form or record	Why	Further information
<p>Accounting records (including details of assets, liabilities, income & expenditure).</p> <p>Business records (bank statements and paying-in slips, accounts books, purchases and sales information).</p>	<p>To show the financial position at any time and comply with the Companies Act.</p> <p>To work out the amount of Corporation Tax that you need to pay, or claim back from us. To file an accurate Company Tax Return.</p>	<p>Corporation Tax: go to www.hmrc.gov.uk/ct/managing/record-keeping.htm</p>
Additional records if your business is VAT registered <i>All these are required by law</i>		
<ul style="list-style-type: none"> • VAT account. • VAT sales and purchase invoices. • Import and export documentation, for example delivery notes. 	<p>This summary of your allowable VAT inputs and outputs helps you complete your VAT returns accurately.</p>	<p>VAT: go to www.hmrc.gov.uk/vat/managing/returns-accounts/accounts.htm</p> <p>Phone VAT Helpline 0845 010 9000</p>

Employer <i>All these are required by law</i>		
Form or record	Why	Further information
<p>All PAYE records. For example:</p> <ul style="list-style-type: none"> • payments made to employees • deductions from your employee wages of Income Tax, National Insurance contributions (NICs) and Student Loan payments • details of employee benefits and expenses • all records of statutory payments (including sick pay and maternity pay). 	<p>To work out the right amount of PAYE and NICs that you and your employees need to pay.</p> <p>To complete your annual PAYE Return accurately.</p> <p>To show that your employees are getting any statutory pay they're entitled to.</p>	<p>PAYE: go to www.hmrc.gov.uk/payee/payroll/day-to-day/records.htm</p> <p>Benefits and expenses: go to www.hmrc.gov.uk/payee/exb/overview/recordkeeping.htm</p> <p>Phone Employer Helpline 08457 143 143</p>