

When you run a business, it is important to maintain accurate business records. It is of course possible that HM Revenue & Customs (HMRC) may ask to see your records, but a good record keeping system will help you to:

- manage your cash flow
- keep track of expenses and how much you are owed by any customers
- pay the right amount of tax at the right time
- save time and accountancy costs
- receive the right amount of benefits or tax credits

If you do not keep good records and are unable to provide evidence of the amount of income received, or of expenses incurred, you could end up paying too much tax. Furthermore if HMRC find fault with your record keeping which has resulted in inaccurate returns and underpayment of tax, you could be charged with a fine of £3,000 for poor record keeping.

How long do I need to keep my records?

As a general rule, you need to keep your business records for a minimum of six years.

- Sole traders (self-employed) and partnership businesses - records must be retained for five years after the annual self assessment filing date, so for the year ending 5 April 2015, you need to keep the records until 31 January 2020. **NB** If HMRC opens an enquiry you may need to keep your records for longer, until they advise you that their checks are complete and the enquiry is closed.
- Limited companies - records must be kept for six years from the end of the accounting period, so if your accounting period ended on 31 December 2014, you must keep those records until 31 December 2020.
- If you are an employer or a contractor in the Construction Industry Scheme, you need to keep your PAYE or CIS records for three complete years, in addition to the current year.

What must I keep?

You need to keep full records of all sales and other income, expenses and purchases, the value of assets and details of liabilities – in other words everything required for the preparation of your accounts or self assessment tax return. These records can be kept in paper format, or electronically (but remember to copy the front and back of documents).

There are, however, some specific records required by law:-

- VAT registered businesses - VAT account, VAT sales and purchase invoices, import and export documentation
- Construction Industry Scheme - contractors - full details of payments made to all subcontractors for work done and materials subcontractors have purchased
- Construction Industry Scheme - subcontractors - all payment and deduction statements
- PAYE - employers - all PAYE records, including gross pay, deductions, benefits in kind and reimbursed expenses, student loan repayments and statutory payments

Starting a Business

Keeping Business Records

Limited companies are governed by Company Law. In addition to the financial and accounting records, a company must also retain records about the business itself. This means that the company must keep details of:

- directors, shareholders and company secretaries
- the results of any shareholder votes and resolutions
- promises for the company to repay loans at a specific date in the future ('debentures') and who they must be paid back to
- promises the company makes for payments if something goes wrong and it's the company's fault ('indemnities')
- transactions when someone buys shares in the company
- loans or mortgages secured against the company's assets

The original documentation relating to dividend vouchers and bank interest certificates must be retained, but all other records can be stored electronically.

NB You must inform Companies House if the records are not kept at the company's registered office.

What bookkeeping system should I use?

There are many types of bookkeeping system available and the best one for you will depend on your business and how detailed your records need to be. You can of course use a manual cashbook, however using an electronic system will be more accurate, as well as time saving.

For smaller businesses, a simple spreadsheet system will enable you to record accurately all of the income and expenses. For larger and VAT registered businesses, bookkeeping software that will assist not only with keeping track of income and expenses, but also assist with the completion and filing of VAT returns, would be more suitable. If your business has high levels of stock, you may need a system with stock control functionality and some businesses will need to be able to print customer statements showing invoices raised, amounts paid and amounts still owing/overpaid.

Whatever system you decide to use, it is important to keep it as up to date as possible and that you retain your records for at least the minimum required time. If you use an electronic bookkeeping system ensure that it is backed up regularly, either on a cloud system or on an external hard drive or USB memory stick.

Need help?

Waveney Tax Solutions can help you choose a bookkeeping system that suits you and your business and advise you on how you should keep your records. We are also able to provide clients with an appropriate bookkeeping system. For further details, call us on 01502 370620 or 07919 924273, or alternatively you can email us at nina@waveneytaxsolutions.co.uk.