

Record Keeping Requirements



Legal requirement

It is a legal requirement that you keep records relating to your business. That is why it is so important to make sure you have a practical record keeping system in place. By law, the ATO requires you to keep business records:

- for five years after they are prepared, obtained or the transactions completed (whichever occurs later); and
- in English, or in a form that the ATO can access and understand in order to determine your tax liability.

According to the ATO website, you should “keep records for a longer period if you use information from those records in a later tax return (for example, claiming a loss carried forward from a business activity in an earlier year). The records should be kept until the end of any period of review for that later return. Records relating to assets for capital gains tax purposes may also need to be kept for a longer period.”

You can issue and store records in either electronic or paper form. Once a record keeping system has been set up, it should be a simple process to update records daily. Feel free to contact your accountant if you have any queries about your records.

“There are penalties for not maintaining the required records and for not keeping them for five years” warns the ATO website. “Keeping good records will help you avoid these penalties.”

Other reasons for keeping good records

Some other reasons are cited on the ATO website, such as:

- It makes it easier to complete your business activity statements and prepare your annual income tax and fringe benefits tax returns.

- You are able to monitor the ‘health’ of your business and make sound business decisions because you can keep track of debtors and creditors to ensure your cashflow is adequate.
- Good records will demonstrate your financial position to banks and other lenders, and also to prospective buyers of your business.
- Rather than paying your accountant or tax adviser to sort through a box full of paperwork, provide them with well prepared records and pay them instead to help you grow your business or provide tax planning advice.
- Well kept records will show the basis for any amendments you need to make to activity statements or tax returns you have already lodged.

YOUR ACTION PLAN

- Decide whether to keep electronic or paper records, or both, then establish a system which is practical to your business.
- Read the guide **Record Keeping for Small Businesses** available on the ATO’s website.

Contact BRJ Accountants & Business Advisors team today on
07 3862 9955
for assistance with this Action Plan!



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