



# Record keeping

As soon as you decide to go into business, it is important for you to start keeping your records. This is because it's much harder to work backwards at a later date. Although there are legal reasons for keeping accurate records, there are also good business reasons to do so.



## Advantages of keeping accurate and up-to-date records

- Accurate records will help you determine whether your business is making enough money to meet its expenses during the year.
- You'll also have a better idea of how well your business is doing during the year, rather than finding out when you get your accounts done at the end of the year.
- Good record keeping makes it easier for others to know whether to invest in your business or project.
- If your bookkeeping is up to date, it will be quicker to file your GST and tax returns.
- If your books are in order, your accountant will spend less time preparing your accounts—time that you are paying for.
- There will be less time spent on Inland Revenue audits if your records are well kept. If you are in business, you can expect to be audited by Inland Revenue at some stage.



## What records to keep

You need to keep enough records to calculate your income and expenses and to confirm your accounts. Here is a broad outline of the type of records:

- books of account that record receipts and payments, such as your cashbook, journals and ledgers
- bank statements
- wagebook, if you're an employer
- invoices, including tax invoices
- receipts
- vehicle logbooks
- cheque and deposit books
- details of entertainment expenses for clients, staff or suppliers
- till tapes and day books
- internet transaction details, if you do business over the internet
- stocktake figures
- list of debtors and creditors
- interest and dividend statements
- list of assets and liabilities
- depreciation schedules
- final profit and loss statements and balance sheets
- any other documents that confirm entries in your accounts, such as worksheets.

These records let you calculate your taxable income, GST (if you are registered) and meet your employer obligations (if you are an employer). These records will be checked if you are audited. If your records cannot confirm an expense, we may not allow you to claim it.

It is important that the records should be easily readable and organised enough to allow you or anyone to work through them quickly. If you are storing your records on a computer, you must have a back-up copy of your records in case your system breaks down.

Your records must be kept in English, unless you get approval from us to use another language.

Keep all your records for at least seven years from the end of the tax year or the taxable period which they relate to. After four years you can apply to us if you wish to destroy certain records. Call us on **0800 377 774** for more information.



## Here is how you can use the various records

**Cashbook**—records all payments and receipts by cash, cheque, automatic payment and automatic teller machine. List different types of income and expenses under separate headings and keep a running balance. Use separate columns for GST paid and received. Also, it's a good idea to check your cashbook entries against your bank statement, and total all columns at least monthly.

**Petty cash book**—records small cash expenses in your business. Attach the receipts for petty cash expenses to a blank page in the book, and balance it at least monthly. Petty cash is a small amount of cash kept on hand to make day-to-day purchases for items that are too small to pay by cheque or if you don't have access to EFTPOS.



**Wagebook**—records wages paid to each employee and monthly totals for end-of-month processes. Use a fresh page for each employee, and keep a monthly summary showing the total wages and deductions.

**Vehicle logbook**—records business running of motor vehicles so that you claim only the business portion of the vehicle expenses. You must keep a logbook for at least three months every three years to work out the business share of your running costs. If you use your vehicle for personal travel or from home to work, you need to separate the business and private use. If you use the vehicle strictly for business, you can claim the full running costs without making any adjustments and you are not required to keep a logbook. For more information on the use of logbooks see our booklet *Smart business (IR 320)*.

**Asset register**—records the business's assets, when you bought them, depreciation on them and their adjusted tax value. Using a fixed asset register is a good way to keep track of your assets.



## Personal records

It's a good idea to keep all personal records and transactions separate from business records. This is best achieved by using separate business and personal bank accounts. We recommend that you keep all personal records (including personal bank account records) for seven years.



## Simple ideas that make a big difference

Laying the right foundations now by spending time to get things right will help the success of your business in the years ahead, so take the time to start off right.

- Keep your cash book up-to-date.
- Open a separate bank account for large bills and tax payments, and transfer some money to it each week, fortnight or month to cover these bills.
- Keep all your receipts and tax invoices for each GST return period with your copy of the GST return. If we need to ask any questions about the return you'll have all the information together in one place, which will save you time.



## Need to know more?

See our booklet *Smart business (IR 320)* for more information.

You can view copies of all our forms and guides by going to [www.ird.govt.nz](http://www.ird.govt.nz) and selecting "Forms and guides" or you can order copies by calling INFOexpress on 0800 257 773.

## Business tax information and Maori community officers

Business tax information officers (BTIOs) offer a free business tax information service to new businesses and organisations to help them meet their tax responsibilities. This service is available to individuals and groups.

Most of our offices also have a Maori community officer (MCO) who can advise Maori organisations and individuals on their tax responsibilities.

Our BTIOs and MCOs will tell you:

- which taxes you need to know about
- what records you need to keep
- how to complete your tax returns (eg GST and employer returns)
- when to file returns and make payments.

To find out more about these services or arrange an appointment, go to [www.ird.govt.nz](http://www.ird.govt.nz) or call us on 0800 377 774.



our advisory service is free



Inland Revenue  
Te Tari Taake