Introduction for small business

Record keeping for small businesses
GETTING STARTED

Keeping good records is essential for people in small business. Maintaining good records of your transactions and tax invoices will help you to manage your cash flow and make sound business decisions. It will also make it easier for you to meet your tax obligations, and potentially save you time and money in the future.
Good record keeping

There are a number of reasons why you should keep good records of your business transactions. Good record keeping:

- makes it easier for you to meet your tax obligations
- makes it easier for you to understand how your business is doing
- helps you make good business decisions.

Record keeping is a legal requirement. By law you must keep business records for at least five years, either on paper or electronically. They must be in English or in a form that can easily be converted.

If you don’t keep the right tax records, you can incur penalties. Poor record keeping is also one of the main reasons why some small businesses fail.

Tip

Allow time each week to keep your records up-to-date. This helps when it’s time to do your tax as all the information is already there and you’re not overwhelmed with paperwork. This frees up time to focus on making money, instead of doing paperwork.
Business records you need to keep

Income tax records
You must keep records of all your sales (income) and expenses to prepare your business activity statements (BAS) and annual income tax return, and to meet other tax obligations. You also need to keep year-end and bank records.

Records that all businesses need to keep are listed below.

Income and sales records
Records of all sales transactions – for example, invoices including tax invoices, receipt books, cash register tapes and records of cash sales.

Expense or purchase records
Records of all business expenses, including cash purchases. Records could include receipts, invoices including tax invoices, cheque book receipts, credit card vouchers and diaries to record small cash expenses. Records showing how you worked out any private use of something you purchased.
Year-end records
These include lists of creditors (that you owe money to) or debtors (that owe you money), and worksheets to calculate the decreasing value of your assets, also called ‘depreciating assets’, stocktake sheets and capital gains tax records.

Bank records
Documents you receive from the bank such as bank statements, loan documents and bank deposit books.

Other records you may need to keep
As well as general records, you may need to keep other records depending on your tax obligations or the type of expense.

Other records you may need to keep are listed below.

Goods and services tax (GST) records
The main GST records you need to keep are tax invoices from your suppliers. Remember, you need a tax invoice to claim GST credits. You must keep any other document that records any adjustments, a decision or a calculation made for GST purposes.

For more information on GST, visit our website at www.ato.gov.au/gst
Employees and contractors records
If you have employees or contractors, you will need to keep:
- tax file number (TFN) declaration forms or withholding declaration forms
- records of wages, allowances and other payments you make to them
- superannuation records, including payments you make and records that show you have met your superannuation obligations
- records of fringe benefits you provided
- copies of any contracts you have with contractors.

For more information on your obligations as an employer, visit our website at www.ato.gov.au/employers

Fuel tax records
If you intend to claim fuel tax credits for your business, you must keep records that show that you:
- acquired the fuel
- used the fuel in your business
- applied the correct rate when calculating how much you could claim.

You must also keep records that show your business is carrying on activities that are eligible for fuel tax credits.

If you are claiming fuel tax credits of $300 or less in a financial year, you do not have to keep records of fuel purchases.

For more information on fuel tax credits, visit our website at www.ato.gov.au/fuelschemes
Record keeping evaluation tool

There may be other records in addition to the records listed above that you will need to keep when you are running a business. To help you work out the record keeping needs for your business refer to the record keeping evaluation tool available on the ATO website.

By law you must keep these records for at least five years, either on paper or electronically. They must be in English or in a form that can easily be converted.

To download the record keeping evaluation tool, visit our website at www.ato.gov.au/recordkeeping

Tip

Keep your records electronically, using accounting software approved by the ATO. It takes more time to set up at the beginning but it has advantages like automatic calculations of earnings and profits.

Remember – you can also claim the cost of record keeping software as a business tax deduction.
Getting help

Free assistance visits
To make it as easy as possible for you to comply with your tax obligations, the ATO can arrange an assistance visit. Visits are confidential and conducted by tax officers at your place of business or preferred location. A tax officer can work through any issues you may have and discuss specific tax information of interest to you.

A visit can take any time between half an hour to a full day. It all depends on what you need.

Information you share with us during a visit will not be told to anyone else, not even other people in the ATO.

To arrange a visit:
- phone 13 28 66 between 8.00am and 6.00pm, Monday to Friday
- use our online booking form at www.ato.gov.au/assistancevisit
Can I use a tax agent or BAS agent?
You may want to get a registered tax or BAS agent to help you with your tax obligations.

It’s important to choose a registered tax or BAS agent. Using a registered agent means they are qualified and experienced with tax. Only a registered agent can legally charge you a fee.

You can check that your agent is registered by looking at the Tax Practitioners Board’s agent register on www.tpb.gov.au or by phoning 1300 362 829.

Tip
If you use a registered tax agent you still need to have all your records ready to give to them. This way, they can help you claim the business tax deductions that you are entitled to.
More information

For more information:

■ visit our website at
  - www.ato.gov.au/otherlanguages for tax and superannuation information in 25 languages. You can also watch or download the video Your business and tax which explains what you need to know about Australia’s business tax system. This is available in six languages including English

■ refer to the following brochures, which are available from our website
  - Record keeping for small business (NAT 74242) available in other languages
  - Tax basics for small businesses (NAT 1908) in English
  - GST (NAT 72420) available in other languages
  - How to set our tax invoices and invoices (NAT 11675) in English

■ phone us on the ATO business tax infoline on 13 28 66 between 8.00am and 6.00pm, Monday to Friday, Eastern Standard Time (EST)

■ visit one of our shopfronts

■ speak to your tax adviser.
If you do not speak English well and need help from the ATO, phone the Translating and Interpreting Service (TIS) on 13 14 50.

If you are deaf, or have a hearing or speech impairment, phone us through the National Relay Service (NRS) on the numbers listed below:

- **TTY users**, phone 13 36 77 and ask for the ATO number you need
- **Speak and Listen (speech-to-speech relay) users**, phone 1300 555 727 and ask for the ATO number you need
- **internet relay users**, connect to the NRS on [www.relayservice.com.au](http://www.relayservice.com.au) and ask for the ATO number you need.

Follow the ATO:

- [www.twitter.com/ato_gov-au](http://www.twitter.com/ato_gov-au)
- [www.youtube.com/AusTaxOffice](http://www.youtube.com/AusTaxOffice)
Our commitment to you

We are committed to providing you with accurate, consistent and clear information to help you understand your rights and entitlements and meet your obligations. If you feel that this publication does not fully cover your circumstances, or you are unsure how it applies to you, you can seek further assistance from us.

We regularly revise our publications to take account of any changes to the law, so make sure that you have the latest information. If you are unsure, you can check for more recent information on our website at www.ato.gov.au or contact us.

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