


IT 2349 - INCOME TAX : GUIDELINES RELATING TO THE RETENTION AND FORMAT OF RECORDS REQUIRED TO SATISFY THE STATUTORY REQUIREMENTS OF SECTION 262A OF INCOME TAX ASSESSMENT ACT

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TAXATION RULING NO. IT 2349

INCOME TAX : GUIDELINES RELATING TO THE RETENTION AND
FORMAT OF RECORDS REQUIRED TO SATISFY THE STATUTORY
REQUIREMENTS OF SECTION 262A OF INCOME TAX ASSESSMENT
ACT

F.O.I. EMBARGO: May be released

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RETENTION & FORMAT
OF RECORDS

262A

PREAMBLE

Section 262A of the Income Tax Assessment Act requires a person carrying on business to keep sufficient records in the English language to enable his assessable income and allowable deductions to be readily ascertained, and to retain such records for a period of 7 years.

2. Amendments to the Acts Interpretation Act 1901 have introduced a new section 25 which includes a definition of "document" and provides a revised definition of "writing" that includes most modern methods of storing and reproducing words, figures, symbols, etc. Additionally, section 25A of that Act requires that persons storing information by such means should be able to produce, when required, the stored information in a form capable of being understood by the court, tribunal or person requiring the information.

3. The changes to the Acts Interpretation Act support the view that the Commissioner's powers under section 263 and sub-section 264(1) of the Income Tax Assessment Act allow him to request that information be provided in a form capable of being understood by him and any officer authorised by him to obtain it.

4. The requirement of section 262A that records must be retained for at least 7 years is not intended to be altered by this Ruling. Failure to hold records for the required period will continue to be an offence punishable by a fine not exceeding \$2000. This Ruling intends to provide guidelines relating to the format in which records may be retained.

RULING

5. Business records which must be retained for the statutory period include documents which provide a record of or enable business transactions to be traced and verified through the accounting system from the source to the financial accounts. Traditionally, such records have been documents such as vouchers, invoices, journals, ledgers, banking records and the various financial accounts. With the advent of computerised

accounting systems many of these traditional documents and records may have been eliminated or significantly altered in format.

6. In recognition of the changes which have taken place it has been determined that microfilm and computer output to microfiche are to be considered to be alternative methods of record retention which, subject to the following conditions, will satisfy section 262A.

7. Where it is intended to convert original records to microfilm or computer output microfiche (or to produce film/fiche as original output) the process must be carried out in such a manner that the film/fiche will be a true and clear reproduction of the original documentation. Appropriate facilities must be provided for the preservation of the film/fiche for the statutory periods and facilities must be provided, including a projector/viewer, for viewing the records. A print of any information contained on the film/fiche must be provided on request to the Taxation Office and the print must be a true and clear reproduction of the film/fiche.

8. Records maintained on film/fiche should be sufficient to describe in detail, and provide an audit trail of, all individual transactions. The audit trail should be designed so that details underlying the summary accounting data e.g. invoices, vouchers etc., may be identified and made available to the Taxation Office upon request.

9. It should be noted that in the case of legal documents conversion to microfilm will not satisfy the requirements of section 262A.

10. It is also pointed out that the Taxation Administration Act 1953 provides severe penalties for offences relating to the keeping of records. Sections 8L, 8Q and 8T of that Act deal respectively with incorrectly keeping records, recklessly or knowingly incorrectly keeping records and incorrectly keeping records with the intention of deceiving or misleading. Offences against these provisions carry penalties ranging upwards from a fine not exceeding \$2000 for a first offence against section 8L to a fine of \$5000 or imprisonment up to 12 months, or both, for an offence against section 8T.

COMMISSIONER OF TAXATION
26 July 1986

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