

Record keeping

Use this factsheet as a quick guide to why it's important you keep records if you run a business and the advantages of good record keeping.

Start keeping records as soon as you decide to go into business—it's much harder to work backwards at a later date. There are legal reasons for keeping accurate records, as well as good business reasons.

There are many benefits of keeping accurate and up-to-date records. They can:

- help you see if your business is making enough money to meet its expenses during the year
- help you track how well your business is doing during the year
- make it easier for others to see if your business is a good investment opportunity
- increase your chances of getting finance or funding
- make it quicker to file your GST and tax returns
- mean less time for tax agents when preparing your accounts
- mean less time if you're audited later on.

What to keep

You must keep enough records to be able to calculate your taxable income, expenses, work out your GST (if you're registered), meet your employer obligations (if you have staff), and confirm your accounts. If we audit you, we'll check these records. For example, if your records don't confirm an expense, we may not let you claim it.

These are some of the records you may need to keep:

- account books (eg, cashbook, journals and ledgers) that record receipts and payments
- bank statements, cheque books and deposit books
- your wagebook, if you're an employer
- invoices, including tax invoices, and receipts
- vehicle logbooks
- details of entertainment expenses for clients, staff or suppliers
- cash register tapes and day books/diaries
- transactions from internet banking
- stock-take figures and lists of assets and liabilities
- lists of debtors and creditors
- interest and dividend statements



- depreciation schedules
- final profit and loss statements and balance sheets
- other documents that confirm entries in your accounts (eg, worksheets).

Your records should be in good order so you or anyone else can work through them quickly and easily. If you store your records on a computer, make sure you have a good back-up system.

Note: You must keep your records:

- in English, unless we approve you using another language
- for at least seven years from the end of the tax year or the taxable period they relate to.

Record keeping tools

You can keep your records as hard copy or on your computer—the same principles apply.

Cashbook

Record all payments and receipts made by cash, internet banking, 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. It's also a good idea to check your cashbook entries against your bank statement and total all columns at least monthly.

Petty cash book

Petty cash is a small amount of money kept on hand to make day-to-day incidental purchases for items that are too small to pay by cheque or eftpos. Record small cash expenses and attach the receipts to a blank page in your petty cash book and balance it at least monthly.

Wage book

Record 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

If you use your own vehicle in the business, you can claim the running costs. If you use it to travel from home to work, or any personal travel, you'll need to separate business and private use. To do this, keep a logbook of business and private use of motor vehicles so you only claim 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 the running costs.

You don't have to keep a logbook if you use the vehicle only for business—you can claim the full running costs without making any adjustments.

When a company owns a vehicle, it can claim the full running costs without making any adjustments. However, the company must pay fringe benefit tax if the vehicle is available for employees' or shareholder-employees' private use. The company will also have to calculate GST on the fringe benefit.

Asset register

Keep track of your business assets—when you bought them, cost price, depreciation on them and their adjusted tax value (book value).

Smart practice tips

- Keep your cashbook up to date.
- Open a separate bank account for large bills and tax payments (eg, provisional tax) and transfer money to it regularly.
- Keep all your receipts and tax invoices for each GST return period with your copy of the GST return. If we ask you any questions about the return you'll have all the information together.

- Keep personal and business records separate, including bank accounts. It's also a good idea to keep your personal records for seven years.

Supporting businesses in our community

Our Community Compliance teams offer a free tax education service to businesses and not-for-profit organisations to help them meet their tax obligations. The service is available to individuals (one-on-one meetings) and groups (workshops or seminars).

Use this service to find out more about:

- the records you need to keep
- the taxes you need to know about
- how to best use our online services
- completing your tax returns (eg, GST, employer returns)
- filing returns and making payments
- your KiwiSaver obligations.

Our Kaitakawaenga Māori are available to advise Māori organisations and individuals.

Have a look at our short videos at www.ird.govt.nz/introbizvids then go to www.ird.govt.nz (search keywords: seminar, advisory) or call us on 0800 377 774.

Other resources

You can file your GST or PAYE returns online through your myIR secure online services account at www.ird.govt.nz/myIR

Read our *Smart business (IR 320)* guide online at www.ird.govt.nz or order a copy by calling 0800 257 773.

Or call us on 0800 377 774 for more information.

Online tool

"Tool for business" is an online, interactive tool that explains what you need to know about business tax. Go to www.ird.govt.nz (search keyword: tfb).



www.ird.govt.nz

Go to our website for information and to use our services and tools.

- **Log in or register for a myIR secure online services account** to use a range of secure services.
- **Demonstrations** – learn about our services by watching short videos.
- **Get it done online** – complete forms and returns, make payments, make an appointment to see us, give us feedback.
- **Work it out** – use our calculators, worksheets and tools, for example, check your tax code, find filing and payment dates, calculate your student loan repayment.
- **Forms and guides** – download our guides and forms or fill in forms online.

Forgotten your myIR user ID or password?

Request a reminder of your user ID or reset your password online. You'll need to know your IRD number and have access to the email address we hold for you.

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