



Record keeping - Tax; VAT

Tax

There is a requirement to keep sufficient records to make a correct and complete tax return. The precise nature and extent of the records to be kept will be dependent on the type and size of the business. Companies are already required by Companies Act 1985, s 221 to keep and preserve specific accounting records in terms which are close to the tax requirements (see above). Any company satisfying the requirements of the Companies Act will have satisfied the requirement to keep and preserve records for tax purposes, except that to comply with tax requirements, all records should be kept for six years.

VAT

A record of all taxable goods and services that are received or supplied as part of the business (including both standard and zero-rated supplies) and a separate record of any exempt supplies made must be kept for at least six years.

If a trader issues proper tax invoices then copies of those invoices should constitute sufficient records together with a summary for the period showing: VAT on sales; VAT-exclusive values of any sales; any exempt sales; any VAT due on certain postal imports and imported services and any credits allowed to your customers.

There is no specified format for keeping these records other than that they must be complete and up to date and the figures that used to complete the VAT return must be easy to find. Usually normal business records can be quite easily adapted to give this information.

For any goods given away or taken from stock for private use, the following must be recorded:

- what the goods were
- the date they were taken from stock
- the rate and amount of tax chargeable
- their VAT-exclusive cost.

Each tax period VAT shown in these records should be added up and transferred to the VAT account as output tax.

In the same way as for sales, suppliers' tax invoices for any purchases should provide the details necessary. A summary of the invoices should be made in the same order as they are kept. The



summary must show separate totals for: VAT charged on purchases; VAT-exclusive values of purchases;
VAT on imports (i.e. from outside the EC) and any credits received from suppliers.

Separate records must be kept of any business purchases on which input tax cannot be deducted, for example, cars and business entertainment expenses.