




# SINGAPORE KNOWLEDGE SERIES #25 – RECORD KEEPING



# Record Keeping

Every business must maintain proper records. It is the responsibility of business owners and company directors to ensure that proper records are kept. **The types of records that businesses need to keep include:**



Source documents that substantiate all transactions in the business - e.g., receipts, invoices, vouchers, and other relevant documents issued or received from customers and suppliers.

Records of the steps taken to ascertain whether the supply made to or by the taxpayer was part of a Missing Trader Fraud arrangement – e.g., the risks identified, the due diligence checks performed, and the actions taken in response to the results surfaced from the checks.

Accounting records and schedules - manual or electronic records of assets and liabilities, revenue and expenses, gains (profit) and losses, Bank statements; and any other records of transactions connected with the business.



# Types of Records

## Manual Records

Manual record keeping is the recording of business transactions in a physical form. This includes record books, receipts and physical invoices.

When records are kept manually, ensure all records are kept in a legible and well-organized manner. For example, photocopies of receipts printed on thermal paper should be retained in case the originals fade over time

A manual record keeping system may suffice for businesses with **small volumes of transactions.**

## Electronic Records

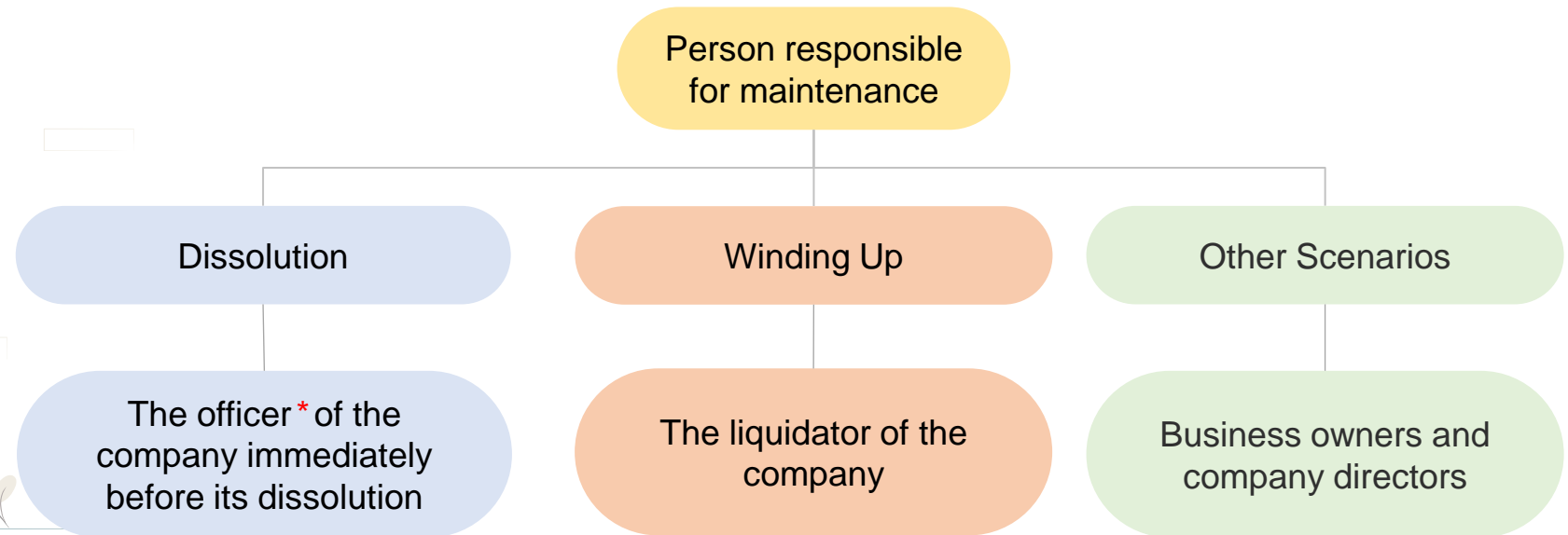
Records can be kept electronically using a computer and/or accounting software. This includes using Microsoft Office applications, off-the-shelf accounting software, customized accounting software and image systems.

Physical copies of source documents need not be kept to substantiate your business transactions for tax purposes if the source documents are kept electronically. Businesses **do not need to seek approval** from IRAS to keep their records in an electronic format for tax purposes.



# Timeline for Maintenance

Under the Income Tax Act and the GST Act, businesses liable to pay Income Tax and GST are required to keep their records **for at least five years**. In addition to the above requirement, companies and limited liability partnerships (“LLPs”) are also required to retain records of the company and/or LLP for a period of at least 5 years after the date on which the company and/or LLP is struck off / dissolved / wound up. Businesses may also be required to maintain their records to meet their statutory requirements under the relevant pieces of legislation (e.g., Companies’ Act).



*\*Generally, an officer in relation to a company and/or LLP includes : (a) any director or secretary of the company or a person employed in an executive capacity by the company (b) any manager of the LLP (c) a receiver and manager of any part of the undertaking of the company/LLP appointed under a power contained in any instrument.*

# Implications of Non-Compliance

It is important to follow the record keeping requirements. Failure to comply may constitute an offence under Section 67 of the Income Tax Act, 1947 (read with Section 94 of the Income Tax Act) and/or under Section 46(6) of the GST Act, 1993, which could result in:

- a) IRAS exercising its best judgement to estimate revenue earned
- b) Expense claims, capital allowances or GST input tax claims being disallowed; **and/or**
- c) Penalties being imposed.

Statute	Penalties Imposed
Income Tax Act	A <b>maximum fine of \$1,000</b> may be imposed (in default of payment, a jail term of <b>up to six months</b> may be imposed).
Goods & Services Tax Act	A <b>maximum fine of \$5,000</b> and/or a jail term of <b>up to six months</b> may be imposed.  In the case of a <u>subsequent conviction</u> , offenders may be fined a <b>maximum of \$10,000</b> and/or jailed for a maximum of <b>three years</b> .



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