

June 2015



Record keeping

What you need to know

www.sars.gov.za
0800 00 7277

 **SARS**
At Your Service

Introduction

If you are involved in a business, you will need to keep records that will enable you to prepare complete and accurate tax returns for the business as required by legislation. These records must clearly reflect all income and expenditure. This means that, in addition to permanent books of account or records, all other information that may be required to support the entries in the records and tax returns must be maintained.

Paid accounts, cancelled cheques and other source documents that support entries in the records should be filed in an orderly manner and stored in a safe place. For small businesses, the business cheque book or internet banking transaction history is the prime source for entries in the business records.

Every year, you need to fill in an Income Tax Return for Companies (ITR14) for your business, giving SARS details of all your business **INCOME** and **EXPENSES**. In certain circumstances, e.g. if you are a sole proprietor, you will be required to complete and submit an Income Tax Return for Individuals (ITR12) to SARS.

For your own convenience, get into the habit of keeping accurate records of everything your business **OWNS**, the **INCOME** you have made and your **DEBTORS** (a person, company, or other organisation that owes money to your business) and **CREDITORS** (a person, company, or other organisation that is owed money by your business).

There are many different ways to keep your records – find one that suits your type of business.

Record Keeping

Record your **INCOME** and **EXPENSES** accurately. Accurate records are essential for efficient management.

Here are some of the things you must record:

Record of Income	Record of Expenses
Invoices	Invoices
Payslips	Till slips
Investment income	Bills
	Paid accounts

Keep your invoices, till slips and other information together, because these will support what is recorded in your financial statements as well as your income tax return.

- List the dates and amounts of items bought and sold
- For most businesses, the business cheque book or internet banking transaction history is important for entries in the business records
- You should have a separate bank account so that your personal and business expenses don't get mixed up.

List of Records

Your business records must include all of the following items:

- 1. Records that show the following:**
 - Assets (Assets are things that a business owns and are sometimes referred to as the resources of the business including pre-paid expenses)
 - Liabilities (e.g. wages, interest on loans, etc.)
 - Undrawn profits (Undrawn profit pertains to a partnership in which the profit of the partnership remains in the business bank account to be used to pay creditors of the business. It is not normally counted as capital to either of the partners. This profit allows for the business to remain "in business" in the event of slowdowns.)
 - Loans (only loans taken in favour of the business).
- 2. A register of fixed assets (land, building, machinery, etc.)**
- 3. Statement of annual stocktaking (physical verification of the quantities and condition of items held in inventory, as a basis for accurate audit and valuation)**
- 4. Supporting vouchers – detailed daily records of cash receipts and payments**

These records must show the following:

- The date of transaction
 - The nature of the transaction, including the amount
 - The names of the parties to the transactions (except for cash sales).
- 5. Detailed records of purchases (goods and services) and sales**

These must show the following:

- The nature of the transactions
- The names of the people or businesses involved.

A micro business which is registered for Turnover Tax must keep the following documents:

- Amounts received during a year of assessment
- Dividends declared during a year of assessment
- Each asset at the end of a year of assessment with a cost price of more than R10 000
- Each liability at the end of a year of assessment exceeding R10 000.

Importance of Accurate Records

Good records don't only help you manage your business efficiently; they help you in other ways too.

Your records show what kind of income your business makes. The receipts will show whether your income is of a revenue (the income generated from sale of goods or services, or any other use of capital or assets, associated with the main operations of an organisation before any costs or expenses are deducted) or capital nature (the net worth of a business; that is, the amount by which its assets exceed its liabilities).

Your records will help you pay the right amount of tax. Without a record of expenses, you might overlook them when filling in your tax return. This could mean you pay more tax than you should!

Your records show how much is paid in salaries or wages. Employers must record the employees' tax deducted from the salaries and wages paid.

Your records help explain what is on your income tax return. SARS might ask you to explain what you have filled in on your Income Tax Return for Companies (ITR14). If you have accurate records, backed up by sales slips, invoices, receipts, bank deposit slips and other documents, you'll be able to answer all their questions.

REMEMBER TO KEEP ALL YOUR RECORDS FOR 5 YEARS.

Free Tax Workshops

If you would like to attend a free tax workshop, email us to find out when they will be presented in your area:

Eastern Cape

EngagementEC@sars.gov.za

Free State

Engagementbfn@sars.gov.za

Gauteng East/West

EngagementWestrand@sars.gov.za

EngagementEastrand@sars.gov.za

EngagementAlberton@sars.gov.za

RandburgTPE@sars.gov.za

Gauteng North/Limpopo/North West & Polokwane

GautengNorthTPE@sars.gov.za

RustenburgEngagement@sars.gov.za

KwaZulu-Natal

Engagementpmb@sars.gov.za

Mpumalanga

Emalahleniengagement@sars.gov.za

EngagementStanderton@sars.gov.za

EngagementNelspruit@sars.gov.za

Northern Cape

Engagementkim@sars.gov.za

Western Cape

EngagementCT@sars.gov.za

EngagementGeorge@sars.gov.za

Schedules of our Taxpayer Education Workshops are available on the SARS website:

www.sars.gov.za>Individuals>Learn more about taxes

DISCLAIMER

The information contained in this leaflet is intended as guidance only and is not considered to be a legal reference, nor is it a binding ruling. The information does not take the place of legislation and readers who are in doubt regarding any aspect of the information displayed in the leaflet should refer to the relevant legislation, or seek a formal opinion from a suitably qualified individual. This leaflet also does not reflect the qualifying requirements that need to be met in order to be allowed into the turnover tax system.

For more information on record keeping you may –

- Visit the SARS website www.sars.gov.za;
- Visit your nearest SARS branch;
- Contact your registered tax practitioner;
- Contact the SARS National Contact Centre –
 - o If calling locally, on 0800 00 SARS (7277); or
 - o If calling from abroad, on +27 11 602 2093 (only between 8am and 4pm South African time).