

Business Information Sheet

Record Keeping Obligations

Business Record Keeping Obligations

Under tax law, if you are operating a business you are required to keep all records explaining declared income and expenses (tax deductions) whether it is a \$5,000 sale or a \$2.00 deduction, the ATO want to see some form of proof and also they may seek out inconsistencies.

These inconsistencies may be seen in sales invoice numbering, cheque numbers, cost of goods to total sales margins, travel expenses, motor vehicle claims and this list goes on. Do not assume the ATO won't look.

Tax and GST Records

Sales

- Sales invoices, including tax invoices
- Sales vouchers or receipts
- Cash register tapes, credit card statements
- Bank deposit books and account statements

Purchases

- Purchase/expense invoices, including tax invoices
- Purchase/expense receipts, which include an ABN
- Cheque butts and bank account statements
- Electronic Transfer Information
- Credit card statements
- Records to show working out any private use of something you purchased

Year End

- Motor vehicle expenses incl Purchase and Selling and Financed Documents
- Debtors and creditors lists
- Inventory stocktake sheets
- Depreciation schedules - capital gains tax records
- Share Information (If applicable)

Employee (STP)

- Employee's name and date of birth
- Date the employee commenced work with the employer
- Names of any federal industrial instrument under which that employee has entitlements
- Employee's job classification under that instrument
- Employee's employment status whether the employee undertakes part-time or full-time work and whether they are engaged as a permanent, temporary or casual employee
- If the employee is part-time or full-time, the number of hours to be worked each week
- Number of hours worked each day and any breaks taken by the employee

If employee is entitled to overtime loadings under an industrial instrument or a contract of employment – the employee's start and finishing times and any overtime worked

If the employee has agreed to an averaging of hours, a copy of the written agreement; rate of pay, including the gross and net amounts paid and details of any deductions; and allowances, penalties, loadings, bonuses or incentive-based payments paid, date of payment and period to which the payment relates

Leave taken and leave accrued and details of annual leave which the employee has elected to forego

Superannuation fund name and contributions

Proof of employee warnings of behaviour and discussions (Contact Log)

Termination of an employee's employment, including:

- The name of the person who terminated the employment
- The reasons for the termination
- How the termination took place (was the termination by consent, by notice, summarily or in some other manner?) and
- The date of the termination

Agreeing on the Respective Roles and Responsibilities

These business record keeping obligations need to be met and it is important for both the business and the bookkeeper to be clear about the level of obligation the business will take responsibility for, and, what the business is expecting that the bookkeeper takes responsibility for on behalf of the business.

Who is responsible for what, will also determine how much time is required to be spent by the bookkeeper in meeting the business obligations and therefore the fees to be incurred by the business for the bookkeepers time. This understanding should be outlined in a form of agreement/communication and be reviewed or updated regularly.

BAS Agents have further consequences of inappropriate process:

A BAS Agent is by definition deemed to be relied on for the ("BAS Services") services they provide. They must take "reasonable care" to ensure the law is complied with and they (like all professionals) must not be involved in false or misleading statements or assisting a business (or knowingly allow a business) to make false or misleading statements. It is very important for it to be clear what services are being provided to the business.

Level 1 – Responsibility for all Processing

If the bookkeeping role is to process transactions and code according to correct bookkeeping/GST principles then the full compliance with record keeping obligations becomes the bookkeepers, which includes ensuring that:

You do not claim the GST unless the correct documentation is in existence. Those transactions that you are sure are not claimable, or the GST claim is not clear, then don't claim and advise/query the client – provide the list or the details of the errors so the client can provide information or clarification or correct their business record collection keeping practices.

The sales invoices are compliant with tax invoice requirements and GST status of the goods and services are correctly applied

Level 2 – Responsibility for Processing but not all Record Keeping

The bookkeeper is engaged to process transactions based on precedent or information provided by the business which does not necessarily include all the source documents.

In this case the business is taking responsibility for ensuring valid tax invoices are obtained where required and valid proof of payments exist for all payments that are being claimed for GST / BAS purposes (and tax purposes).

The bookkeeper should seek further information and possibly proof of the transaction where it is an unusual transaction or a material transaction. The bookkeeper would provide a list of questions for clarification and adjustment.

The bookkeeper could have either of two strategies in relation to items requiring clarification:

- If the bookkeeper is ultimately responsible for the lodgement of the correct BAS then they should not claim any GST input tax credits until the clarification or proof of questioned items is provided.
- If the bookkeeper is processing for the review and sign off by others then, they process as directed and should provide any questions including informing the reviewer how those transactions have been processed so that the reviewer can make the decisions.

Level 3 – Reconciliations to Reports

The bookkeeper is engaged not to process or ensure the record keeping is in place but to perform the Bank / Credit Card reconciliations, bookkeeping logic checks, etc., and ensure that the “accounts” / “books” make sense. This may include providing reports to others. It may include and extend to the next levels.

As a stand-alone level of duties the business is responsible for keeping the records and all the source documents. The bookkeeper may seek clarification of items and certainly raise questions but they don't hold a “Record Keeping Responsibility”.

Level 4 – Completing the BAS

If the bookkeeper is responsible for assisting the business to complete the BAS then (the bookkeeper must be a BAS Agent) but also both parties must have an agreed understanding on the level of reliance by the business on the BAS Agent.

If the BAS Agent comes in to review at a very high level and seek clarification then agree on what level of review

- no source document checking
- review source documents only on questioned items
- quality review document checking
- absolute 100% documents to be checked
- an agreed level of documents to be checked

If the BAS Agent does perform duties of Levels 1 to 4 then the level of checking is comprehensive. If the BAS Agent performs duties of Levels 2 to 4 then the BAS Agent cannot be involved in allowing claims to “slip” through.

The Initial Review or New Bookkeeper Engagement vs The Repeating Role of the Bookkeeper

As the bookkeeping system is formalised and becomes routine, it is normal that the degree of checking of the routine business transactions may become less comprehensive. It is then up to the bookkeeper and the business to communicate as to the ongoing level of checking of source documents.

If the bookkeeper remains fully responsible for the entire process including source documentation (Level 1) then the role of being “certain” of the validity of every claim doesn’t diminish.

If the bookkeeper has a review role (Level 4) then the repeating of the review can become more targeted and specific.

The ideal of every expense and every GST input tax credit being validated by the bookkeeper every time is a time consuming and costly exercise. Having record keeping processes in place that the business can implement and abide by allows the bookkeeper to concentrate on exceptions or quality periodic checking to an agreed level.

The ATO states: To claim GST credits, you must have a valid tax invoice for the goods and services that you purchase for your business. However, you can claim GST credits for business purchases you make up to \$82.50 without holding a tax invoice as long as you keep records that support the claim (for example, cash register docketts or receipts). These records will also help you keep track of any GST credits you can claim. (See ATO - Keeping Good Records).

The records the ATO asked to be kept include:

- sales and expense invoices
- sales and expense receipts
- cash register tapes
- credit card statements
- bank deposit books and
- cheque butts and bank account statements