

Business Basics

RECORD KEEPING

If you are in business you are legally required to keep and be able to show your financial records.

Good record keeping can benefit your business in a number of different ways, because it enables you to keep track of your incomings and outgoings. For example, accurate records can help you to monitor your cash flow, set budgets and make decisions. It will be easier and quicker to complete GST and tax returns. It can increase your chances of securing finance or funding and makes the application process smoother, as well as making it easier for others to assess your entity as an investment opportunity. Good record keeping can also help to reduce the accounting costs associated with preparing year-end financial statements. Finally, if your business is ever subjected to a tax audit, keeping accurate records can help the audit process to be quicker, easier and cheaper.

Records Your Business Must Keep

- Cash books, petty cash books, journals and ledgers
- Invoices, credit card sales, debit and credit card notes
- Invoices for purchases, receipts for credit card purchases
- Cheque and deposit books, bank and credit card statements, interest statements
- Motor vehicle logbooks, and relevant bills such as telephone, internet and electricity
- Worksheets showing any tax return calculations, vehicle logbook calculations or home office calculations
- Asset registers and depreciation schedules with calculations
- Year-end financial accounts consisting of balance sheets and profit and loss statements, lists of debtors and creditors, stocktake figures and fixed assets register
- Lists of assets and liabilities
- Dividend statements
- Legal documents such as sale and purchase agreements, lease agreements and credit agreements
- Documents pertaining to the type of business structure you have, for example partnership agreements, certificates of incorporation, trust deeds and so on



Rules And Recommendations For Record Keeping

- You must keep records for a minimum of seven years. This timeframe applies even if your business has stopped operating.
- It is a good idea to keep relevant emails such as those arranging business travel or meetings, as supporting evidence of any expenses incurred.
- Setting up a separate bank account(s) for your business makes it easier to keep clear banking records. All business transactions should go through the business bank accounts and not through personal accounts.
- Keep receipts for every transaction – there is no minimum dollar amount. Be aware that EFTPOS receipts are prone to fading and therefore it is necessary to photocopy them or keep a soft copy pdf file. Small receipts can be stapled to A4 sheets to reduce the risk of losing them.
- All records must be in English unless you have permission from the IRD to use an alternative language.
- If you use cloud computing to store your records you must still be able to retrieve your records for the IRD, either in hard copies, electronic form, or a combination of both.
- Remember to regularly back up any electronic records, such as to a USB stick, and store in a safe, separate location.
- If you are registered for GST your records must be clear enough to work out your GST liability.
- If your business has employees you are legally required to keep personnel records for a minimum of six years and pay records for a minimum of seven years. You must be able to make these available if requested by the employee, union representatives, Labour Inspectors or Immigration Officers. It is also your responsibility to keep records in enough detail to comply with minimum employment entitlements, including the number of hours worked every day in a pay period and the pay for those hours for each employee.
- Keep copies of any records or documentation you send in to Inland Revenue.
- There are many packages and apps available to make logging your income and expenses quick and easy.

