

Bookkeeping & Records

Paperless/e-billing/e-statements are fine for the masses, but when you are in business and dealing with Hmrc, PAPER IS KING. There is no legal requirement for paper or electronic forms of records, as long as you keep them. As tax investigations occur 2-3year after the relevant year, it is far less hassle to say “here you go, it is all in the bundle”. It is also actually a lot quicker had far less complex.

The penalty for inadequate record keeping is £3000; in the last 20yrs, I have seen it applied several times.

Within self-assessment for tax returns but not running a business.

The most common sources: declaring rental income, investment income, capital gains/losses, foreign income.

All records paper or electronic must be stored for 3-years.

Officially it is; 1-year from the anniversary of when the tax return is due.

I.e. Tax year 2009-10, tax return due 31.01.11, +1yr = 31.01.12. After Jan-12 you can destory 2009-10 records.

So from Apr-09 to Jan-12 is close enough to 3-years.

Within self-assessment for tax returns for business.

This is for self-employment or partnerships. All records paper or electronic must be stored for 6-years.

Officially it is; 5 years from the anniversary of when the tax return is due. I.e:

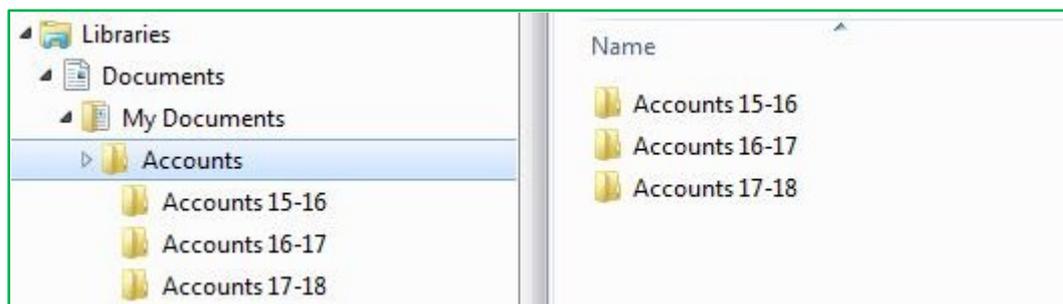
Companies - YE 31.12.10, tax return due 31.12.11, +5yrs = 31.12.16. In 2017 you can destory 2010 records.

Personal - Tax year 2009-10, tax return due 31.01.11, +5yrs = 31.01.16. After Jan-16 you can destory 2009-10 records.

Paper Records

- In my bundle I have 3 dividers, bank statements, income, expenses.
 - You keep these in a ring binder during the year so they can be added to easily.
 - At the end of the year you remove from the binder, insert treasury tags to hold together, give to me.
 - Treasury tags keep them bound but allow us to open like a book.
 - Always have the bank statement under the top divider.
 - In each section the first statement or invoice is at the bottom with each new one is added on top.
 - You are not flipping over loads to add the next item to the bottom.
 - See mine, they are numbered.
 - Each number corresponds with a number on the spreadsheet or accounting software.
 - If you don't have a paper document e.g. personal payment, leave the number out and carry on.
 - There is an example on your spreadsheet.
 - Opt for paper bank statements, saves you printing them.
 - Opt for paper billing always or you must make the effort to print them every month.
 - Many banks/companies have limit history to 12-months, so waiting may mean you cannot obtain what you require.
 - If separate invoice are not supplied, always print email confirmations for online expenditure as your invoice.
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Here is an example of how you should save your accounts file; software back, spreadsheets, letters etc.



Do not print at the end of the year. Soon we will be required to submit accounts quarterly so your bookkeeping and records must be kept up to date. Plus if you change banks or phone companies etc, you may not be able to obtain historic statements or bills.

P.T.O. for electronic format advice.

Electronic Records

- 1) <1% of clients choose electronic because it is actually very time consuming.
- 2) It requires reasonable PC skills.
- 3) It must be backed up – remember that penalty of £3000 for in adequate record keeping.
- 4) If you choose electronic, you must have documents stored on you pc or cloud in a logical format.
 - a. Someone may need to access in the event of your death, I have dealt with many affairs post death, taxes still have to be done.
 - b. YOU CANNOT REPLY ON PRINTING LATER, e.g. bank statements.
 - c. If you ever change banks, suppliers, phone provider, etc, obtaining historic copies of statements & invoice will be:
 - i. Time consuming
 - ii. Difficult
 - iii. Flapping with many things to chase up.
- 5) Storing on your PC – must be logical.
 - a. Tax investigations occur 2-3year after the year being reviewed, so you must be able to find documents easily and supply on a flash drive.
- 6) I would adopt the same principle as the paper format above with folders on your PC.
 - a. E.g.
 - b. MyDocuments
 - i. Accounts (*create a short cut to this folder on your desktop*).
 1. Accounts 2016-17 (*this folder is a good location for the spreadsheet or software backup*).
 - a. Bank statements 2016-17
 - b. Income remittance 2016-17
 - c. Purchase receipts 2016-17.
 - c. Always include the year, over time it is too dangerous to have more than one folder for each section e.g. 5 sub-folders just called bank statements, at one time you are bound to save something in the wrong folder, I have seen it many times, even by a professional bookkeeper.
- 7) Bank statements must be downloaded to your PC – see 4B above.
- 8) Don't name the files, number them, much easier to find and correspond to the spreadsheet or accounting software.
 - a. E.g.
 - b. mcadam_remittance_#6_0916 (0916 referes to the month and year)
 - i. You could substitute "remittance" for "SI" sales invoice.
 - c. mcadam_pur_#1_16-17_accountacy (the word accountacy at the end is optional, but I would always put at the end, so all the receipts are in hash tag order #1, #2, #3 etc.
 - i. You could substitute "pur" for "PI" purchase invoice.
 - d. Alphabetical is a nightmare to find later.

Here is my recommended way of saving e-receipts files; I added "prop" as these are my property receipts. If I have supplied my property accounts file, you will find these receipt match my spreadsheet records.

