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Record keeping for small business

The Australian Taxation Office is employing new technology and staff to increase its audit and review program to levels never seen before. If you are in business, it is likely that you will have some level of review from the ATO in the future. While there is not much you can do to avoid this activity, to be forewarned is to be forearmed.

Under the current audit program that the ATO has published, one focus will be cash economy. The ATO will continue its focus on businesses and work with tax practitioners and industry and professional associations to identify and share best practice in record keeping. This is a 'soft' approach from the ATO designed to educate businesses and provide them with feedback – you can be assured that this will escalate to 'harder' approaches in the future. Below, we have reproduced the ATO's record keeping requirements.

What are a business's record-keeping requirements?

Record keeping is a legal requirement. By law, businesses must keep records:

- for five years after they are prepared, obtained or the transaction is complete, whichever occurs last
- in English and in a form that we can access and understand to work out the amount of tax you are liable to pay.

For example, it is expected that a retail business will:

- record each individual sales transaction through their cash register or point-of-sales system
- conduct a daily sales reconciliation between the 'z' total (or end-of-day report if they use an electronic system) and cash in the register, taking into account cash taken from the register for business expenses and personal use
- transfer daily sales total into a cash receipts book regularly
- perform bank reconciliations between bank statements and cash receipts book, at least monthly
- retain for a period of five years
 - the 'z' totals or point-of-sales system end-of-day reports
 - daily reconciliations
 - bank records and cash receipts book
 - till rolls or end-of-day reports that record details of each individual transaction (if 'z' totals have been reconciled with actual cash sales and banking, detailed till rolls may be discarded after one month)
- maintain a filing system to keep track of paid and unpaid accounts.

This information is from the ATO website – Cash economy frequently asked questions – Record keeping for small business. You can find the link at: <http://www.ato.gov.au/businesses/content.aspx?menuid=0&doc=/content/00277134.htm&page=2&H2>

Contact us

For more information on how we can work with you to ensure that you meet all your reporting obligations, please contact us:

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