

# **INCOME TAX AND GOODS & SERVICES TAX**

## **BASIC RECORD KEEPING GUIDE FOR SMALL BUSINESSES**



INLAND REVENUE  
AUTHORITY  
OF SINGAPORE

# Basic Record Keeping Guide for Small Businesses

---

Published by  
Inland Revenue Authority of Singapore

1st Edition <27 March 2008>

**© 2008 IRAS Singapore. All rights reserved.**

No part of this publication may be reproduced or transmitted in any form or by any means, including photocopying and recording without the written permission of the copyright holder, application for which should be addressed to the publisher. Such written permission must also be obtained before any part of this publication is stored in a retrieval system of any nature.

## TABLE OF CONTENTS

1	GENERAL .....	1
1.1	Introduction.....	1
1.2	Why Keep Records.....	1
1.3	Records That Must be Kept by All Businesses .....	1
2	HOW TO KEEP YOUR RECORDS .....	2
2.1	Manual Records .....	2
2.2	Electronic Records .....	2
2.3	Manual Records Versus Electronic Records .....	3
3	SALES RECORDS .....	3
3.1	Cash Register Tapes.....	3
3.2	Sales Record Book.....	3
3.3	Receipts Issued .....	4
3.4	Invoices Issued.....	4
3.5	Books for Goods Taken for Private Usage .....	5
3.6	Credit Notes for Returned Goods .....	5
3.7	Documents Relating to Imports and Exports .....	5
3.8	Sales Listing .....	5
4	BANKING RECORDS .....	6
4.1	Bank Accounts.....	6
4.2	Bank Statements .....	6
5	PURCHASES RECORDS .....	6
5.1	Receipts Obtained.....	6
5.2	Invoices Received .....	7
5.3	Purchase Record Book.....	7
6	BUSINESS EXPENSES RECORDS .....	7
6.1	Staff Remuneration and Employer's CPF Contributions.....	7
6.2	Public Transport Expenses.....	8
6.3	Travelling Expenses .....	8
6.4	Entertainment Expenses .....	8
7	ASSETS RECORDS .....	9
7.1	Asset Details.....	9
7.2	Capital Allowances .....	9
8	STOCK-TAKE AT THE END OF THE ACCOUNTING PERIOD.....	10
8.1	Stock-take .....	10
9	TIPS FOR HEALTHY RECORD KEEPING .....	10
10	FURTHER INFORMATION .....	11
11	APPENDICES .....	11

# Basic Record Keeping Guide for Small Businesses

---

## 1 GENERAL

### 1.1 Introduction

1.1.1 This guide is designed to assist businesses in preparing and keeping their records. The guidelines set out the minimum records required to be kept to comply with Singapore tax laws.

### 1.2 Why Keep Records

1.2.1 You have to keep sufficient records to enable your business income to be readily determined. For records relating to the accounting periods ending on or after 1 Jan 2007, the minimum period of retention is 5 years. For records relating to the accounting periods ending before 1 Jan 2007, the minimum period of retention is 7 years. You can be penalised or denied claim for expenses if you fail to keep proper records.

1.2.2 The responsibility in record keeping lies with the business owners. All business owners are expected to put in place controls or measures to ensure your income tax/ GST declarations are duly supported with source documents.

1.2.3 Keeping good business records also benefit businesses in the following ways:

- (a) It allows you to have better control of your business by facilitating financial planning and decision making;
- (b) The cost and efforts required to fulfill your tax obligations are much lower; and
- (c) It will be easier to detect losses, employee fraud and theft.

### 1.3 Records That Must be Kept by All Businesses

1.3.1 Good business records should include: -

- (a) A record of receipts and payments, or income and expenditure;
- (b) The source documents to substantiate the entries in your records; such as vouchers, bank statements, invoices, receipts and other relevant papers;
- (c) A record of the assets and liabilities of your business, including listings of your business debtors, creditors and cash/ bank account balances.

## 2 HOW TO KEEP YOUR RECORDS

### 2.1 Manual Records

2.1.1 Manual record keeping means recording all business transactions in a physical record book. These transactions must be supported by source documents such as receipts/ purchases invoices from your suppliers, carbon/ second copies of sales invoices/ receipts issued to your customers and copies of bank deposit slips and bank statements for bank accounts used in your business.

2.1.2 When you keep your records manually you must make sure you keep all your records in a legible and well-organised manner. For example, you should file your records in chronological order and retain photocopies of receipts if they fade easily.

### 2.2 Electronic Records

2.2.1 Another way of keeping records is through electronic means by using a computer and/or accounting software. This includes using Microsoft Office applications such as MS Word/ MS Excel, off the shelf accounting software or customised accounting software.

2.2.2 Source documents (e.g. invoices, copies of your bank deposit slips and bank statements) must also be kept to substantiate your income and expenses.

2.2.3 Advantages of using a computer to keep records include:

- (a) Recording of your business transactions (including income and expenses, payments to employees, and stock/ asset details) in a quick and efficient way.
- (b) Greater accuracy in record keeping for example you can build in automatic functions to tally amounts.
- (c) Efficiency in retrieving and updating of information such as customer particulars and payments details.
- (d) Leveraging on computer accounting software to give you an up-to-date picture of how your business is performing to plan and forecast your future business situation.
- (e) Facilitating the generation of invoices and providing summaries and reports for tax purposes.
- (f) Enabling you to e-file your tax returns more conveniently.

## Basic Record Keeping Guide for Small Businesses

---

- (g) Requiring less storage space as compared to paper records.
- (h) Facilitating the back up of records and keeping back-ups in a safe place in case of theft or natural disasters like floods or fire.

### 2.3 Manual Records Versus Electronic Records

- 2.3.1 When your business expands and the transactions become voluminous, you may find that manual recording no longer caters to your needs. For a small retailer shop operating in a neighbourhood area, you may find that manual recording is sufficient. On the other hand, a retailer with many outlets would find electronic recording more beneficial.
- 2.3.2 Using an electronic record keeping system will make your job easier and you will incur lower manpower costs because you do not have to manually track each and every business transaction.

## 3 SALES RECORDS

You are required to retain records and be able to explain ALL sales transactions. The records of sales include:

- (a) Cash register tapes
- (b) Sales record book
- (c) Receipts issued
- (d) Invoices issued
- (e) Books to record goods taken for private usage
- (f) Credit notes for returned goods
- (g) Documents relating to your imports and exports
- (h) Sales listing for GST registered businesses (refer to paragraph 3.8)

### 3.1 Cash Register Tapes

- 3.1.1 A cash register, which has an internal tape, can be used to record all your cash sales. You must ensure that all cash sales are put through the cash register and the internal tape is retained as a source document. At the end of the day, you must record the total amount of receipts in a record book manually or electronically.

### 3.2 Sales Record Book

- 3.2.1 In the absence of a cash register, you should maintain a sales book to record your daily sales. Refer to the sample "Daily Gross Sales Record" at Appendices 1A and 1B.

## Basic Record Keeping Guide for Small Businesses

---

- 3.2.2 If sales takings are used to pay for your purchases or operating expenses, you must properly record the sales takings used and include these in your net sales. Please note that gross sales takings are to be reported in your income tax returns as “turnover”. If your business is GST registered, the gross sales takings from “standard-rated supplies<sup>1</sup>” and/ or “zero-rated supplies” made are to be reported in your GST returns.

### 3.3 Receipts Issued

- 3.3.1 You are required to issue serially numbered receipts for all sales transactions and retain a duplicate for each receipt<sup>2</sup>. Even if you had been granted a waiver for issuing receipts, you must still issue receipts to customers if they so request.

### 3.4 Invoices Issued

- 3.4.1 If you do not issue receipts to capture your sales, sales invoices should be issued to record all your sales. You may design your own invoices and get them printed or you can buy pre-printed invoices from stationery suppliers.

- 3.4.2 If you issue a sales invoice, the sales invoice should contain the following information:

- (a) Business name, address, telephone number and business registration number
- (b) Invoice number
- (c) Invoice date
- (d) Customer’s name & address
- (e) Description of goods, quantity and price
- (f) Any cash discount offered
- (g) Total price

- 3.4.3 If your business is registered for GST, you must issue tax invoices as required under the GST legislation instead of sales invoices. Please refer to the sample “Tax Invoice” at Appendix 2. Tax invoices must be issued even if you had been granted waiver for issuing receipts. The tax invoice must include the following details in addition to those listed under paragraph 3.4.2:

- (h) GST registration number
- (i) The words “tax invoice” in a prominent place
- (j) The type of supply, if you are making more than one type of supply to the same customer

---

<sup>1</sup>GST registered businesses are required to report their gross sales takings (exclusive of GST) in their GST returns.

<sup>2</sup> If gross receipts in the preceding year exceed \$18,000 from the sale of goods or \$12,000 from the performance of services.

## Basic Record Keeping Guide for Small Businesses

---

- (k) The total amount payable excluding GST, the rate of GST and the total GST chargeable shown separately
- (l) The total amount payable, including GST

### 3.5 Books for Goods Taken for Private Usage

- 3.5.1 If you take stock from your business for your own private consumption, you should show this in your business records. The sales price of the stock taken for private use should be added to sales.

### 3.6 Credit Notes for Returned Goods

- 3.6.1 Goods which have been sold but later returned due to incorrect quantities, defects, damaged or incorrect invoicing etc need to be recorded because they reduce the corresponding sales figures. It is recommended that you supply your customer with a credit note, which can then form the basis of the adjustment to your sales records. Refer to the sample "credit note" at Appendices 3A and 3B.

### 3.7 Documents Relating to Imports and Exports

- 3.7.1 If your business involves importation and exportation of goods, you are required to maintain import and export permits, bill of lading/ air waybill/ IESGP permit, invoice, purchase order, packing list/ delivery note, insurance documents and evidence of payment. For more details, you may refer to GST e-Tax guide "A Guide on Exports".

### 3.8 Sales Listing

- 3.8.1 For GST registered businesses, please retain a sales listing as shown in the table below.

Invoice date	Invoice number	Name of customer	Description	Invoice amount excluding GST (\$)	GST (\$), if applicable	Destination of goods (for exports)
--------------	----------------	------------------	-------------	-----------------------------------	-------------------------	------------------------------------

- 3.8.2 The above listing should preferably be prepared in Microsoft Excel format.

## Basic Record Keeping Guide for Small Businesses

---

### 4 BANKING RECORDS

#### 4.1 Bank Accounts

- 4.1.1 It is good business practice to maintain separate bank accounts for personal and business purposes. If separate bank accounts are not kept, you must be able to differentiate between personal and business transactions.
- 4.1.2 You should regularly bank all business income into your business bank account. You are encouraged to pay all purchases and expenses by cheque as it creates a trail of your business transactions that appears in your bank statement.

#### 4.2 Bank Statements

- 4.2.1 Bank statements show the bank's record of your transactions with the bank during the month. They form a vital part of your account keeping and should be safely filed away in chronological order.
- 4.2.2 The entries in the bank statement may differ from your record book entries because direct debits, bank charges and interest may be deducted from your bank account. You will not know the amount of these charges until you receive a bank statement. You are advised to do regular bank reconciliation to update your record book with the charges found in your bank statement.

### 5 PURCHASES RECORDS

You are required to keep records and be able to explain ALL purchase transactions. The records for purchases include:

- (a) Receipts obtained
- (b) Invoices received
- (c) Purchase record book

#### 5.1 Receipts Obtained

- 5.1.1 Whether you pay by cash or cheque, you should ask for a receipt when making purchases. Receipts will help you to support or justify payments made if disputes arise later.
- 5.1.2 The details that should be shown on a receipt are:
  - (a) Date
  - (b) Name of supplier or service provider
  - (c) Amount paid
  - (d) Description of goods or services being paid for.

## Basic Record Keeping Guide for Small Businesses

---

- 5.1.3 A receipt issued by a cash register would generally be sufficient, but it may not always describe the goods or services that have been paid for. If it doesn't contain sufficient detail, an additional notation should be recorded on the receipt.

### 5.2 Invoices Received

- 5.2.1 Invoices usually contain more information than a receipt and provide additional evidence to support the payment or the purchase. All invoices received should be retained.

### 5.3 Purchase Record Book

- 5.3.1 You are required to record your purchases in the following format:

Invoice date	Invoice number	Name of supplier	Supplier's GST registration number	Description	Invoice amount excluding GST (\$)	GST (\$)
--------------	----------------	------------------	------------------------------------	-------------	-----------------------------------	----------

- 5.3.2 For GST registered businesses, the records should preferably be prepared in Microsoft Excel format.

## 6 BUSINESS EXPENSES RECORDS

You are required to keep records and be able to explain ALL expense transactions.

Following are common expenses incurred in the course of business and allowed as deduction under the Singapore tax laws:

- (a) Staff remuneration and employer's CPF contributions
- (b) Public transport expenses
- (c) Travelling expenses
- (d) Entertainment expenses
- (e) Payments made to individuals for services rendered

### 6.1 Staff Remuneration and Employer's CPF Contributions

- 6.1.1 Staff remuneration includes wages, salaries, bonus, commission and allowances. You need to keep the following records:

- (a) Details of employees including full names, identification numbers and job scope

## Basic Record Keeping Guide for Small Businesses

---

- (b) Payment vouchers or remuneration schedule
- (c) CPF statements for your claims of employer's CPF contributions

6.1.2 You may use these records to prepare the Return of Employee's Remuneration (Form IR8A). Refer to the sample "Staff Remuneration record" at Appendix 4.

### 6.2 Public Transport Expenses

6.2.1 Public transport expenses incurred for business purposes qualify for a tax deduction. The following details should be recorded for each travel:

- (a) Date and destination
- (b) Mode of transport
- (c) Person incurring it
- (d) Purpose of travel
- (e) Amount incurred

6.2.2 Receipts such as taxi receipts, which substantiate your public transport expenses should be kept. Refer to the sample "Public transport expenses record" at Appendix 5.

### 6.3 Travelling Expenses

6.3.1 Overseas travel expenses incurred for business purposes qualify for a tax deduction. The following details should be recorded for each travel:

- (a) Date and destination
- (b) Mode of transport
- (c) Person incurring it
- (d) Purpose and duration of overseas travel
- (e) Amount incurred

6.3.2 Receipts or other travel documents that substantiate your travel expenses, including meals and accommodation, should be retained. Refer to the sample "Travelling expenses record" at Appendix 6.

### 6.4 Entertainment Expenses

6.4.1 Entertainment expenses incurred for business purposes qualify for a tax deduction. The following details should be recorded:

- (a) Date and place of entertainment
- (b) Name of the person(s) entertained
- (c) Purpose of entertainment
- (d) Person incurring it

## Basic Record Keeping Guide for Small Businesses

---

(e) Amount incurred

6.4.2 Invoices or receipts that substantiate the entertainment expenses should be kept. Credit card slips or monthly credit card statements alone are not sufficient to substantiate your claims. Refer to the sample "Entertainment expenses record" at Appendices 7A and 7B.

### 6.5 Payments Made To Individuals for Services Rendered

6.5.1 To substantiate payments made to individuals for services rendered (e.g. cleaning fees, free-lance book-keeping and sales commission etc) you are required to include the following details on the payment voucher:

- (a) Full name, identification numbers, address of the recipient
- (b) Date and nature of payment
- (c) Basis of arriving at the quantum paid
- (d) Acknowledgement of receipt by the recipient

## 7 ASSETS RECORDS

You are required to keep records and be able to explain ALL expenditure relating to assets.

### 7.1 Asset Details

7.1.1 A business usually has a number of assets, such as plant and equipment and motor vehicles. You need to keep the following details and documents for each of the assets:

- (a) Date of purchase and cost
- (b) Date of sale and sale price (if applicable)
- (c) Copies of contracts of purchase and sale (e.g. hire purchase agreements)
- (d) Invoices

7.1.2 You are advised to prepare a fixed asset schedule at the time you start your business so that you can record the assets purchased, the dates of purchase and their costs. You may want to refer to the sample "Fixed Asset Schedule" at Appendices 8A and 8B.

### 7.2 Capital Allowances

7.2.1 The amounts incurred in purchasing these assets are capital in nature and are not deductible for tax purposes. However, you may claim capital

allowances. For more information on capital allowances, please refer to IRAS website (<http://www.iras.gov.sg>). You should keep records of capital allowances you have already claimed as deductions so that you can calculate your entitlement to capital allowances in subsequent years.

### 8 STOCK-TAKE AT THE END OF THE ACCOUNTING PERIOD

You are required to keep records and explain your trading stock on hand at the end of each accounting period.

#### 8.1 Stock-take

- 8.1.1 Trading stock includes anything produced, manufactured, acquired or purchased for the purposes of manufacture or sale. To determine the closing stock value, a physical stock count should be carried out at the end of accounting period. You may want to refer to the sample “Stock List” at Appendix 9.

### 9 TIPS FOR HEALTHY RECORD KEEPING

Here are some useful tips:

- (a) Get organised and stay organised.
- (b) Set up a good filing system for your paperwork from the start of your business. A good filing system will help you follow up overdue debts and know when your accounts are due to be paid. This will also help you manage your cash flow as well as facilitate the locating of files and reconciliation of your business transactions.
- (c) Make sure your records can be understood by anyone, not just by yourself or your accounts personnel.
- (d) Obtain the necessary source documents at the time of a transaction. Do not leave it until later. You need source documents to support your claims for tax deductions.
- (e) It is a good idea to cross reference records. For example, when you make payment, indicate the cheque number on the invoice.
- (f) Get into the habit of entering transactions regularly to keep your records up to date. Do not leave record keeping until the end of the year because the longer you leave it, the more difficult it is to catch up.
- (g) Make sure you enter all transactions accurately into your record books.

## Basic Record Keeping Guide for Small Businesses

---

### 10 FURTHER INFORMATION

More information on your tax obligations is available on IRAS website (<http://www.iras.gov.sg>).

### 11 APPENDICES

<b>Non-GST Registered Business</b>	<b>GST Registered Business</b>
Appendix 1A: Daily Gross Sales Record for Non-GST Registered Business	Appendix 1B: Daily Gross Sales Record for GST Registered Business
N.A.	Appendix 2: Tax Invoice for GST Registered Business
Appendix 3A: Credit Note for Non-GST Registered Business	Appendix 3B: Credit Note for GST Registered Business
Appendix 4: Staff Remuneration Record	Appendix 4: Staff Remuneration Record
Appendix 5: Public Transport Expenses Record	Appendix 5: Public Transport Expenses Record
Appendix 6: Travelling Expenses Record	Appendix 6: Travelling Expenses Record
Appendix 7A: Entertainment Expenses Record for Non-GST Registered Business	Appendix 7B: Entertainment Expenses Record for GST Registered Business
Appendix 8A: Fixed Asset Schedule for Non-GST Registered Business	Appendix 8B: Fixed Asset Schedule for GST Registered Business
Appendix 9: Stock List	Appendix 9: Stock List