Tell me how long I need to keep my business records

Business Records Requirements and Retention

Businesses and companies must keep records about the company itself along with financial and accounting records. Here we explore the type of records that need to be kept and how long these documents must be kept by law.

Accounting Records

All businesses, whether they be companies, Limited Liability Partnerships, ordinary partnerships, or sole traders must keep accounting records that include:

- all company income and expenditure, including grants and payments from coronavirus (COVID-19) support schemes
- details of assets owned by the company
- debts the company owes or is owed
- stock the company owns at the end of the financial year
- stocktaking records used to work out stock figures
- all goods bought and sold
- who such goods were bought and sold to and from (unless a retail business is run)

IMPORTANT - This information is for general guidance only so we recommend you speak to us before you firm up any gifting plans so that we can tailor our advice to your particular circumstances.

Accounting records cont'd

Any other financial records, information and calculations that are needed to prepare and file annual accounts and Company Tax Return must be kept. This includes records of:

- all money spent by the company, for example receipts, petty cash books, orders and delivery notes
- all money received by the company, for example invoices, contracts, sales books and till rolls
- any other relevant documents, for example bank statements and correspondence

HMRC can fine up to £3,000, or a company director can be disqualified from acting in that capacity, if accounting records are not properly kept.

Statutory records required under the Companies Act

The following statutory registers must be maintained:

- directors (including their residential addresses), shareholders and company secretaries
- the results of any shareholder votes and resolutions
- promises for the company to repay loans at a specific date in the future ('debentures') and who they must be paid back to
- promises the company makes for payments if something goes wrong and it's the company's fault ('indemnities')
- transactions when someone buys shares in the company
- loans or mortgages secured against the company's assets
- where the records are kept if somewhere other than the registered office
- register of 'people with significant control'. This must include details of anyone who:
    - has more than 25% shares or voting rights in the company
    - can appoint or remove a majority of directors
    - can influence or control the company

A record needs to be kept if there are no people with significant control.

How long must records be kept?

As a general rule, records must be kept for 6 years from the end of the businesses last financial year they relate to, or longer if:

- they show a transaction that covers more than one of the company's accounting periods
- the company has bought something that it expects to last more than 6 years, like equipment or machinery
- the Company Tax Return was sent late
- HMRC has started a compliance check into the Company Tax Return

Variations to the six-year rule

Mini One Stop Shop (MOSS)
If a business is required to use the MOSS then its records must be retained for ten years (and they should be able to be sent to HMRC electronically if asked).

Capital Goods Scheme (CGS)
If a business has assets covered by the CGS, eg; certain property, computers, aircraft and ships then adjustments will be required up to a ten year period. Consequently, records will have to be retained for at least ten years in order to demonstrate that the scheme has been applied correctly.

Land and buildings
In the case of land and buildings, documents might need to be kept for 20 years. We advise that records are kept this long in any event as land and buildings tend to be high value and complex from a VAT perspective, However, it is necessary in connection with the option to tax as it is possible to revoke an option after 20 years.

Additionally, there are other types of records with their own retention periods. For example, the company's statutory registers must be maintained indefinitely whilst the company continues to exist. There are also data protection considerations (i.e., retention periods for personal data and/or whether it is appropriate to redact the records) which can impact the type of records you should retain and how long it might be relevant to keep those records for.

If you have capital gains or claim capital losses

The records that need to be kept will depend on circumstances, but here are some examples of what it would be useful to keep:

- contracts for the purchase or sale, lease or exchange of the assets
- any documentation describing assets that have been acquired but not bought by the company, for example, assets received as a gift or from an inheritance
- details of any assets given away or put into a trust
- copies of any valuations taken into account in the calculation of gains or losses
- bills, invoices or other evidence of payment records such as bank statements and cheque stubs for costs claimed for the purchase, improvement or sale of assets. It would also be sensible to keep correspondence with purchasers or vendors leading up to the buying or selling of assets. An asset such as a home might be used for both business and private purposes, or all or part of it may be let out at some time.

If so, sufficient records will need to be kept to work out what proportion of any gain made is potentially taxable, when the asset is disposed of.

It is strongly recommended that any documents which may be necessary to compute capital gains or losses be kept indefinitely.

For any assistance with this or any other enquiry, please do not hesitate to contact Forrester Boyd.