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Keeping records: a quick guide

This page deals with the main questions self-employed people ask about record keeping.

- Click on the headings below to go to the sections relevant to you
- If you don't want to read all the information online, you could print this page out to read later

If you would like help in understanding any of this information, our [HM Revenue & Customs Advice Teams](#) are available to provide face-to-face assistance..

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Record keeping: good for us, good for your business

Keeping records makes sound business sense. It may seem like a challenge, particularly when you're starting out, but keeping good records will bring real advantages to your business. Get a proper system in place from the outset, and update the information regularly.

Keeping good records

- helps you avoid paying too much tax and makes filling in your tax return easier and quicker
- avoids interest and penalties by making it easier to pay the right tax at the right time

- gives you the information you need to manage your business and help it grow
- makes it easier to get a loan
- helps you budget for tax payments
- helps us to check your tax position accurately
- could help reduce your accountant's fees if you use one - well-organised information saves them time, too
- may support your claims to some reliefs or capital allowances.

It makes sense to do it properly and make it as easy for yourself as possible. We can [help you do this](#). If you have an accountant you might want to get his or her advice on what system suits your business and on how to keep your records up-to-date.

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Record keeping in three simple steps

There are three steps to remember:

1. Set up a system

It doesn't matter whether you use a special account book or a software package as long as you set up some kind of system to keep the information together. Make sure the system you choose is geared to your business, and simple to use.

2. Keep records throughout the year

Keeping only some of your records is almost as bad as keeping none at all. Update your records regularly, rather than letting the paperwork pile up.

3. Keep your records for as long as required

There are minimum periods for which you must keep records, eg six years for VAT or five years from the latest date for filing your return for Self Assessment. You may need to look back at them yourself, and we may need to see them if there is any question over your tax. If keeping your VAT records for six years presents serious storage problems, you should contact the **National Advice Service** on **0845 0109000**.

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Why do I have to keep records?

The law says that everyone who pays tax must keep the records they need to fill in a tax return. If you don't keep records, how can you show what you've earned and what you've spent? VAT registered businesses are legally required to keep certain types of business record.

HMRC might decide to look into your tax returns or claims. If they do, they may want to look at your records. It will save you time if you can show that the records you have kept are full and accurate. It can also save you money – we can issue fines if records are not kept properly.

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What records should I keep?

Keep any information and documents that you may need to help you fill in your tax return or to make a claim.

Most of the time, you'll be looking at records for the current or previous year. But sometimes you'll need to go back a bit further. For example, you may need to work out your profit or loss on the sale of something you've owned for a long time (such as a vehicle, or special tools). At the very least you may need a record of the amount you originally paid for that asset. There are other times, too, when you will need to refer to old records.

It's also helpful to keep information you get from

- your employer, if you have - or had - one, about your pay (including bonuses) and tax deducted, benefits in kind, expenses payments, and any share scheme arrangements
- the Benefits Agency about your state pension or other taxable Social Security benefits
- banks and building societies about the interest on your account(s).

The exact records you need to keep will depend on the types of income or gains, tax deductible expenses, personal allowances, other deductions and reliefs you put on your tax return or claim. Whatever records you keep, they should be good enough for you to fill in your tax return or claim accurately.

If you claim business expenses, you'll need to keep the necessary records to back them up. For example, if you use part of your home for work, you will need to keep sufficient records to show the proportion of heating and lighting costs that relate to your business and your private use.

Sometimes you may not get evidence, such as a receipt, for cash expenses, especially where the amounts are small. If this happens, make a brief note as soon as you can of the amount you spent, when you spent it and what it was for. We don't expect you to keep photocopies of bills, although you may find them useful.

For VAT, you must keep a record of all supplies you make and receive, and a summary of these for each VAT return period. You must keep all tax invoices you receive and copies of all those you issue. Certain types of business might also be required to keep particular records, such as stock books.

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Can I use my computer to keep records?

If you transfer details from paper records onto a computer, you will still normally have to keep the original paper records unless you microfilm them or use an optical imaging system. You don't have to print everything out, as long as the information in the original documents can be recovered from the computer and satisfies the other rules for record keeping.

You must keep the originals of any vouchers showing that tax has been taken from your income, even if you've microfilmed or imaged them. This includes

- Bank and building society certificates giving details of the tax deducted from any interest you've received
- Dividend vouchers
- Certificates of tax deducted under the subcontractors scheme
- Details of foreign tax withheld from overseas income.

You do not have to keep payslips showing tax deducted under PAYE, although you may still find it useful to keep paper records.

VAT records may be kept on computer provided they maintain all of the required information. They must be kept in such a way that our officers can easily verify your VAT returns.

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What happens if I don't keep proper records?

We want you to pay only as much tax as you owe. However, if you can't show sufficient evidence of your income and outgoings, you could end up paying more tax than you should. If you do not maintain good records, you might not be able to render your VAT return on time and this can result in a surcharge

Wherever possible, we will give you the benefit of the doubt, but don't forget there are penalties for failing to keep proper records to back up a tax return or claim. If you are charged any penalties, you have the right to appeal against them to independent tribunals.

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Further information

Download

Download the booklet [Giving your business the best start with tax \(PDF 543K\)](#). This award-winning HMRC publication will guide you through tax and other rules.

For VAT, download [Keeping Records and Accounts 700/21 \(Acrobat PDF, 130KB\)](#)

Helpline

Telephone Helpline for the Newly Self-Employed: 08459 15 45 15. Open from 8am to 8pm, seven days a week. Call for advice on tax and National Insurance. (To speak to someone in Welsh, call **08457 66 08 30**.)

HM Revenue & Customs Advice Teams

If you're thinking of working for yourself or have just started, why not arrange a workshop with our [HM Revenue & Customs Advice Teams?](#)

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