

Proper Books and Records and the Tax Administration Act

With the advent of the Tax Administration Act greater emphasis has been placed on the maintenance of proper books and records.

Responsibility

The business owner and/or the directors have the responsibility to ensure that the books and records are accurate, up to date and in a format that allows scrutiny, if required, by SARS. Failure to do so will render the owner/directors liable to penalties and investigation. Need a bookkeeper then visit:

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In terms of the Tax Administration Act, the tax practitioner has additional responsibility whereby he must apply his mind when rendering tax returns as to:

- the reasonability
- accuracy

of the information supplied.

If the tax practitioner has any doubts as to the accuracy of the information supplied they are bound to verify such information, to their satisfaction, before submission. Need a tax practitioner then visit: www.tax-xpress.co.za

Financial records

Requirements

- Accurate
- Up to date
- Use a recording system that allows scrutiny and verification of income and expenditure.
- Supporting documentation
 - Keep for the prescribed period. See our website www.tax-xpress.co.za.
 - Allow for substantiation of all income and expenditure.

Records Required

- Those showing the assets, liabilities, undrawn profits, revaluation of fixed assets and various loans
- A register of fixed assets
- Detailed daily records of cash receipts and payments reflecting the nature of transactions and names of the parties involved (except for cash sales under R 3,000).
- Detailed records of credit purchases (goods and services) and sales reflecting the nature of transactions and the names of the parties involved
- Statements of annual stocktaking and supporting vouchers.

- Employee records
 - Payroll register giving full details of payments made and to whom paid.
 - Letters of appointment.
 - Leave records.
- Detailed records of credit purchases (goods and services) and sales reflecting the nature of the transactions and the names of the parties to the transactions.

Bank Accounts

You must have a separate bank account for your business and may not combine business and *personal* income and expenditure in the same bank account.

Accuracy

Keeping accurate and up to date records are essential for keeping track of money coming in and money going out of your business. At tax time, they are also important to:

- **Identify nature of receipt** - to show whether anything you received is of a revenue or capital nature
- **Avoid omitting deductible expenses** - by recording your expenses as soon as they are incurred, you won't forget to include them in your tax return
- **Establish amounts paid out as salaries or wages** - Under normal circumstances amounts paid to employees for services rendered are taxable in the hands of the employees. In these cases employees' tax must be deducted from salaries or wages by the person paying such salaries or wages.
- **Explain items reported** - If your income tax return is examined by SARS, you may be asked to explain certain items, which will be simple if you've kept complete records and supporting documents.

Get a professional

Get a suitably qualified and registered accountant or registered tax practitioner to assist you with your particular requirements; it's cheaper in the long run.

If you have any queries or require any assistance please contact us on info@tfaglobal.co.za or phone 021-9481584

The Scribe