

Firms told to beef up record keeping

SMEs to get help from taxman; penalties to be more widely enforced from end of next year

By RACHEL AU-YONG

COMPANIES face a crackdown from the taxman next year if their books are not in tip-top shape.

The tougher approach is part of a wide-ranging campaign to help businesses, particularly small and medium-sized enterprises (SMEs), keep good records, including invoices, tax receipts, accounting schedules and bank statements.

Of the 750 individually run operations and small businesses audited last year, 75 per cent did not keep proper records.

One measure, which will come into effect late next year, involves imposing a fine on those who do not keep good records.

At present, businesses that do not file tax returns, or keep poor records, face fines of up to \$1,000, but the penalty has rarely been imposed on the latter offence as many were given a second chance, said Ms Loh Lee Kim, the director of compliance strategy and risk at the Inland Revenue Authority of Singapore (Iras).

Ms Loh said the penalty for not keeping good records will be more widely enforced at the tail-end of next year, to give companies time to improve.

Poor records mean that businesses will not be able to claim deductions or input tax. Penalties will also be imposed on businesses which fail to comply despite Iras assistance.

"Businesses that don't keep good records are not going to be happy, because it means they'll have a higher taxable income," Ms Loh added.

She also pointed out that having the taxman obtain information through third parties, like banks, could reflect badly on a business and potentially damage its credibility.

Good record keeping is important, as it can show how well a business is doing and help with future decision making.

But common problems plague many businesses. Cash-based companies, for example, often have incomplete records or misplace documents when they change premises.

Said Mr Wilson Ong, assistant commissioner of compliance strategy and risk at the Iras: "Taxpayers need to report their income in full and ensure there is complete documentation to substantiate their earnings."

Many businesses also fail to keep supplier invoices and payment vouchers, which means bosses cannot submit them as deductible expenses.

Businesses also have to keep their records for at least five accounting years.

The Iras has been promoting good record keeping with free online guides, which list the documents required for tax purposes and those recommended for safekeeping for verification purposes.

It has also worked with trade associations to produce record-keeping guides and templates for accounting schedules, which suit certain sectors, for

example, the retail industry. These seasonally run businesses can now easily record their income and expenses using a project-based approach, reducing their compliance costs.

The Iras also surveys selected taxpayers to gain insight into their record-keeping standards and any difficulties they might face.

By the end of this month, the Iras will start visiting several wellness and beauty operators to observe how they keep their records and advise them on how to improve.

Other businesses can sign up for the visits if they want to improve their record keeping. The Iras has set aside resources to conduct "a couple of hundred

visits a year", said Ms Loh.

It also encourages businesses with a high volume of transactions to invest in accounting software.

For businesses which buy any of the software titles listed in the Iras Accounting Software Register, the Iras has partnered the Infocomm Development Authority of Singapore to subsidise the cost of the software, up to a maximum of \$1,500.

The authority reported yesterday that of the 88 taxpayers investigated for tax evasion from 2007 to last year, half of them failed to keep sufficient records to substantiate their income or expenses declared.

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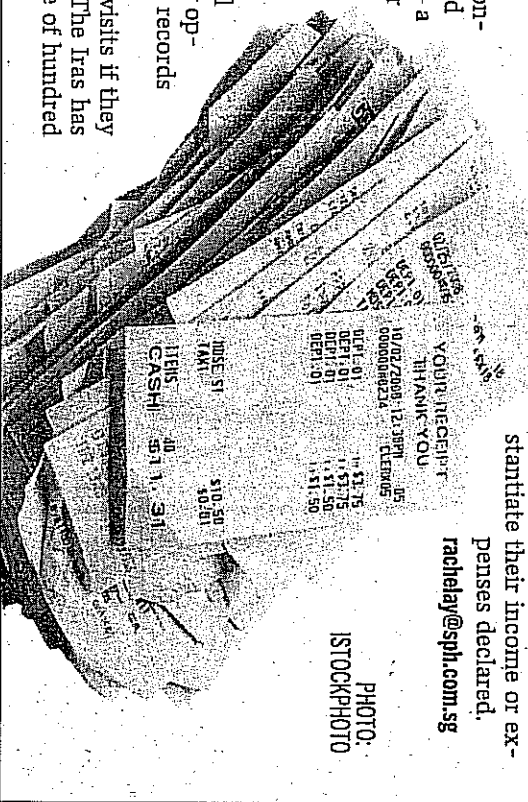


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