



# Record Keeping & Compliance - The Essentials

4 Minute Read

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# Record Keeping & Compliance - The Essentials

Regardless of what company structure you adopt, you will have to keep accurate company, accounting and tax records.

Penalties for not keeping proper records are high and falling foul of the law does your company's reputation no good either.



Companies House and HMRC have a right to inspect your records at any time so store them in a safe place, like your registered office address. You can keep the original documents or scan and store them electronically.

There is significant overlap between the information that you need to maintain for Companies House (if you are registered) and HMRC. Generally, the records you need to keep for HMRC are also applicable for Companies House.

## What records do I need to keep?

HMRC requires you to keep an extensive set of records to back your tax returns. How long you need to keep the records for varies, depending on whether they're to do with corporation tax or Pay As You Earn (PAYE).





## Record keeping for corporation tax

### 1 /

#### What records do I need to keep for corporation tax?

Records for corporation tax include sales invoices, purchase receipts and bank statements. Basically, you must keep hold of all the documents that provide evidence of your income, expenses, assets and liabilities.

The HMRC guide to corporation tax includes a complete list of records you need to keep.

### 2 /

#### How long should I keep corporation tax records for?

For corporation tax, you need to retain your records for six years from the end of your accounting period.



## Record keeping for corporation tax

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#### What's the penalty for not keeping records for corporation tax?

Not keeping records to support your tax return could see you pick up a penalty based on a percentage of the extra tax due:

- If HMRC finds a mistake in your return that's happened because you haven't kept adequate records, you could pay a penalty of up to 30% of the extra tax due.
- If you've made a deliberate misstatement, you could pay a penalty of up to 70% of the extra tax due.
- If you've tried to conceal the misstatement, you could pay a penalty of up to 100% of the extra tax due.



## Record keeping for PAYE

### 1 /

#### Why do I need to keep records for Pay As You Earn?

You need to keep accurate payroll records so HMRC can make sure that:

- You and your employees are paying the right amount of tax and national insurance contributions (NIC)
- Your employees are getting any statutory pay they're entitled to
- You're complying with the law.



### 2 /

#### What records do I need to keep for PAYE?

The records you need to keep include:

- Pay, tax and NIC records
- Statutory Sick Pay records
- Statutory Maternity, Paternity and Adoption Pay records.

The HMRC guide to PAYE record keeping gives full details of the records you need to keep.





## Record keeping for PAYE

### 3 /

#### How long should I keep PAYE records for?

You need to keep records for the current and previous three tax years.

### 4 /

#### What's the penalty for not keeping accurate PAYE records?

Failing to keep accurate records could see you pay a penalty of up to £3,000.



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