

Public Ruling No. 4/2000 (Revised)

KEEPING SUFFICIENT RECORDS (COMPANIES & CO-OPERATIVES)

1.0 TAX LAW

This Ruling applies in respect of section 82 of the **Income Tax Act 1967**. It is effective for the year of assessment 2001 and subsequent years of assessment. This revised Ruling supersedes Public Ruling No. 4/2000 dated 1 March 2000.

2.0 THE APPLICATION OF THIS RULING

This Ruling considers:

- 2.1 what constitute sufficient records that a company or a co-operative needs to keep;
- 2.2 the consequences of failing to keep sufficient records.

3.0 HOW THE TAX LAW APPLIES

3.1 A company or a co-operative is required under the Income Tax Act 1967 [hereinafter referred to as *the Act*] to keep and retain in safe custody sufficient records to enable the income or loss of the company or co-operative for the basis period for any year of assessment to be readily ascertained.

3.2 This Ruling gives general guidelines on the records [*see paragraph 4.1*] that are to be retained for the purpose of income tax.

3.3 Records / Books of Accounts

3.3.1 *General requirements*

A company or a co-operative must keep records and books of accounts including a cash book, a sales ledger, a purchases ledger and a general ledger. The type of books that should be kept will depend on the nature and the size of the business. These books of accounts should be written up at regular intervals. Appropriate entries for each transaction should be recorded as soon as possible (in any case not later than 60 days after the transaction). Supporting documents such as invoices, bank statements, pay-in slips, cheque butts, receipts for payments, payroll records and copies of receipts issued should be retained. Where the gross takings for a year exceeds RM150,000 from the sale of goods or RM100,000 from the performance of services, receipts issued must be serially numbered. A valuation of the stock in trade should be made at the end of the accounting period and the appropriate records maintained.

A. The books of account should be written up at regular intervals. Appropriate entries for each transaction should be recorded as soon as

possible (in any case not later than 60 days after the transaction).

B. Supporting documents such as invoices, bank statements, pay-in slips, cheque butts, receipts for payments, payroll records and copies of receipts issued should be retained.

C. Receipts issued should be serially numbered. Where the gross takings for a year exceeds RM150,000 from the sale of goods or RM100,000 from the performance of services, receipts issued must be serially numbered.

D. A valuation of the stock in trade or work in progress should be made at the end of each accounting period and the appropriate records maintained

3.3.2 *Sufficiency of records*

Records in manual or electronic form should be sufficient to explain each transaction and to enable a true and fair profit & loss account and balance sheet to be prepared.

3.3.3 *Records maintained in electronic form*

If computers are used to record the transactions, original source documents such as invoices and receipts should be retained. Where the original documents are in electronic form, the documents can be retained in such form. The system documentation including the accounting manual, chart and code of accounts should be maintained.

3.3.4 *Place for keeping records*

Records and books of accounts should be kept at the registered office or the business premises of the company or the co-operative in Malaysia. If the records and books of accounts for operations outside Malaysia are kept outside Malaysia, the records and books of accounts should be produced at the registered office or the business premises of the company or co-operative in Malaysia, when requested by the Director General [*the DG*] [see paragraph 4.3].

3.3.5 *Period for keeping records*

A . Except where subparagraph B or C below applies, records are to be retained for at least 7 years from the end of the year to which any income from the business or operations relates.

Example

The financial year of a company is the year ending 30.06.2002.

The records of the company for the financial year ending 30.06.2002

*should
be retained until 31.12.2009 [i.e. 7 years from the end of 2002 (the year to
which the records relate)] .*

B. If the return for a year of assessment [Y/A] is not furnished within the
time
specified under the Act, the relevant records are to be retained for a period
of 7 years from the end of the year in which the return is furnished.

Example

The financial year of a company is the year ending 31.03.2002. The
company fails to furnish its return for the Y/A 2002 by 30.09.2002 as
required under the Act. The return is furnished on 23.05.2003.

*The records of the company for the financial year ending 31.03.2002
should
be retained until 31.12.2010 [i.e. 7 years from the end of 2003 (the year in
which the return is fur- nished), and not from the end of 2002 (the year to
which the records relate)].*

C. Where there is an appeal against an assessment, the relevant records are
to
be retained until the appeal is finally determined.

3.3.6 *Records to be kept in the national language or English*

Records and books of accounts should be written in the national language
or the English language. If the records and books of accounts are written
in a language other than the national language or English, a written
translation is to be provided, at the expense of the company or the co-
operative, when requested by the Director General.

3.4 The Consequences if Sufficient Records Are Not Kept

3.4.1 The chargeable income of the company or the co-operative may
be determined according to the best judgement of the DG and an
assessment made accordingly

3.4.2 The company or the co-operative or the persons responsible [*see
paragraph 4.4*] may be prosecuted and, on conviction, may be
liable to a fine of not less than RM300 and not more than
RM10,000 or to imprisonment for a term not exceeding 12
months, or to both.

4.0 INTERPRETATION

For the purpose of this Ruling:

4.1 "Records" include:

- 4.1.1 books of account recording receipts and payments or income and expenditure;
 - 4.1.2 invoices, vouchers, receipts and such other documents as are necessary to verify the entries in any books of account; and
 - 4.1.3 any other records as specified by the DG.
- 4.2 "Operations" include an activity which consists of:
- 4.2.1 the carrying on of a business;
 - 4.2.2 the making of investments;
 - 4.2.3 both the carrying on of a business and the making of investments; or
 - 4.2.4 the making of investments prior to the commencement of a business or after the cessation of a business.
- 4.3 "The Director General" means the Director General of Inland Revenue and includes any employee of the Inland Revenue Board duly authorised by him.
- 4.4 "Persons responsible" include the manager or other principal officer in Malaysia, the directors, the secretary and any person (however styled) exercising the functions of any of the persons mentioned earlier.

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