

Public Ruling No. 6/2000 (Revised)

KEEPING SUFFICIENT RECORDS (PERSONS OTHER THAN COMPANIES OR INDIVIDUALS)

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. 6/2000 dated 1 March 2000.

2.0 THE APPLICATION OF THIS RULING

This Ruling considers:

- 2.1 what constitute sufficient records that a person other than a company or an individual needs to keep when carrying on a business or an activity;
- 2.2 the consequences of failing to keep sufficient records.

3.0 HOW THE TAX LAW APPLIES

3.1 A person other than a company, a co-operative or an individual [hereinafter referred to as *person*] [*see paragraph 4.1*] 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 business or the excess / deficit of income over expenditure from the activity for the basis period for any year of assessment to be readily ascertained.

3.2 This Ruling gives general guidelines on the records that are to be retained for the purpose of income tax.

3.3 Records / Books of Accounts

3.3.1 *General requirements*

A person should keep records including a cash book, a sales ledger, a purchases ledger and a general ledger. The type of books of account that should be kept will depend on the nature and the size of the business or activity. The following requirements should be complied with:

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*

These books and other records in manual or electronic form should be sufficient to explain the transactions and to enable a true and fair profit and loss account or income and expenditure account and a 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 kept by the person should be maintained.

3.3.4 *Place for keeping records*

Records and books of accounts should be kept at the office premises of the person 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 office premises of the person in Malaysia, when requested by the Director General.

3.3.5 *Period for keeping records*

Records and books of accounts are to be retained for at least six years from the end of the calendar year in which the accounts are closed. Where there is an appeal against an assessment, the relevant records and books of accounts 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 person, when requested by the Director General.

3.4 **The Consequences if Sufficient Records Are Not Kept**

3.4.1 The person may be required by the DG, at the expense of that person, to have his accounts audited by a professional accountant.

3.4.2 The chargeable income of the person may be determined according to the best judgement of the DG and an assessment made accordingly

3.4.3 The karta of the Hindu joint family, the trustee of the trust body, the executor or administrator of the estate of the deceased individual, or the manager or treasurer or secretary or committee member of the club or association 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 "Person other than a company or an individual" includes a Hindu joint family, a trust, an estate under administration, a club and an association.

4.2 "Records" includes:

4.2.1 books of account recording receipts and payments or income and expenditure;

4.2.2 invoices, vouchers, receipts and such other documents as are necessary to verify the entries in any books of account; and

4.2.3 any other records as specified by the DG.

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.

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