

Business Records Checks

All members need to be aware of HMRC's proposals regarding Business Records Checks. HMRC has outlined its intentions in its [press release](#)

Initially HMRC plans to levy penalties in the most extreme cases and later HMRC intends to issue penalties of up to £3,000 for serious inadequacies in record-keeping. HMRC's pilot study identified that 12% of all businesses visited had seriously inadequate records.

Earlier this year HMRC undertook a [consultation on Business Records Checks](#) and the AAT submitted a [response](#) to that consultation document, which was drafted by Jeremy Nottingham who is a fellow member.

The press release raises the question of what is 'good record-keeping'. The press release refers to [a guide to setting up a basic record-keeping system](#) on the Business Link website. You may also be interest in Con Kelly's article on the [Statutory record keeping requirements for taxation](#)

If you have any questions or concerns regarding the press release on Business Records Checks then please contact Aleem Islan, telephone: 020 7397 3088 or email aleem.islan@aat.org.uk

In the meantime, if you are a Member in Practice then you need to:

- 1) read the press release carefully
- 2) read the guide to setting up a basic record-keeping system **which is mentioned in the press release**
- 3) review your letters of engagement as there may be a clause in it that state "We will advise you as to the adequacy of your records for preparation of the annual accounts and make recommendations for improvements which we consider necessary."
- 4) if you letter of engagement has any of the clauses such as in item 3 above then you need to make sure that this has been done at the appropriate time
- 5) alert your clients to the Business Records Checks and to the guidance on basic record-keeping
- 6) if your clients maintain their own accounting records then remind your clients that it is their responsibility as taxpayers to maintain records for tax purposes (check your letter of engagement to make sure it is clear on this point)
- 7) if you maintain your client's records then you need to critically review your areas of responsibility and improve the records where you think it may be necessary
- 8) you may want to advise your clients to contact you in the event that HMRC contacts them regarding a Business Records Check
- 9) review your business practices to see if the Business Records Checks will impact on your business in any other areas and take the appropriate action.

If you are a member working for an SME* then you need to:

- 1) consider alerting your employer to the press release on Business Records Checks and to the guidance on basic record-keeping
- 2) critically review your own areas of responsibility
- 3) if appropriate, recommend to your line manager that a critical review of the accounting records and systems is undertaken, and to take remedial action where necessary

*It is our understanding that HMRC will be targeting SME. However, HMRC could equally target medium or large businesses.