



INLAND REVENUE DEPARTMENT
Saint Lucia

Self Assessment

A Guide to Record Keeping for Business



Our Mission

The Inland Revenue Department stands committed in its impartial treatment of its customers.

We aim to provide efficient, professional and courteous service, while administering the relevant tax laws on behalf of the Government of Saint Lucia.



FOREWARD

Proper Record Keeping is vital to facilitate taxpayers to have better control of their tax affairs. This booklet provides a guide for record keeping in general and explains the types of records a sole proprietorship or partnership business should maintain.

The contents of this booklet are intended as a guide only. The Department reserves the right to make amendments when necessary.

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Part 1: General

1. **Who is required to keep records ?**

Every person carrying on a business whether a sole proprietorship or a partnership is required to keep records.

2. **What does keeping records involve?**

Keeping records involves:

- * Setting up a system which could capture all business transactions; and facilitate easy retrieval of all documents
- * Maintaining the records throughout the year;
- * Retaining the records for at least six years, and these records must be kept in St. Lucia

3. **Why is it important to keep proper and sufficient records?**

It is a good business practice to keep records because:

- * The information will enable you to monitor the progress of your business;
- * When it is time to fill your income tax return, all the information you need will be readily available
- * When the Inland Revenue selects your case for audit, it will be quicker and less disruptive if all information is easy to find.

4. **How long must records and books of accounts be retained?**

Records and books of accounts are to be retained for a period of six years after the end of the income year to which such books of accounts or records of that business relates.

However, if there is an appeal against an assessment, the relevant records and books of accounts are to be retained until the appeal is finally determined.

Example: Mary Lipstick operates a graphic design business. Her financial year is 31 December. The accounts in respect of the business for the year ending December 31, 2004 must be retained for a period of **6 years** until the year 2010.



<u>Business transactions</u>	<u>7 years</u>
1/1/2004 - 31/12/2010	2005, 2006, 2007, 2008, 2009, 2010

5. **Where should the records and books of accounts be kept?**
Records and books of accounts relating to any business in St. Lucia must be kept and retained in the place where the business is carried out.
6. **In what language records and books of accounts should be kept?**
Records and books of account should be written in English.
7. **What happens if records and books of accounts are not written in English?**
When requested by the Comptroller, a written translation has to be provided at the expense of the sole proprietor or partnership.
8. **In what form should records be kept?**
Records can be kept in manual or electronic form. However, if records are kept on an electronic medium such record should be readily convertible into readable format.
9. **If records are stored in a computer, is it necessary to retain original source documents?**

In the case where you have converted records from manual to electronic form, you are still required to retain all those records in the original form. However, in the case where original records are kept in electronic form, records may be retained in such form.



10. Is it necessary to keep any supporting documents?
Supporting documents such as sales and purchases invoices, cash bills, bank statements, payment vouchers, pay slips, cheque stubs, official receipts for payment, etc. must be kept to support your expenses or claims.

11. What happens if adequate records are not kept?

If sufficient records are not kept the consequences are :

- * The Comptroller may require the individual carrying on the business as a sole proprietor or a partnership to have his accounts audited by a professional accountant at the individual's expense.
- * The chargeable income of the individual may be determined according to the best of judgment by the Comptroller and an assessment raised.
- * The individual may be prosecuted for failure to keep records and, on conviction, may be liable to a fine of not less than one thousand dollars (\$1,000.00) or to imprisonment for a term not exceeding one year or both.

N.B. The punishment in monetary terms is more than what it would cost to get an accountant to prepare one's accounts.

Part 2 Records / Source Documents

12. What type of records should be kept?

Basically you need to keep records for all business transactions which are used to prepare financial statements. The common records that you will need to keep in respect of business income include:

- * Full set of books of accounts recording all your business transactions, receipts and payments.
- * Invoices, vouchers, receipts and such other documents, necessary to verify the entries in the books of account.

The following are descriptions of necessary records to be kept:

Sales Record

- * Sales include:
 - goods sold at an arm's length transaction
 - goods taken from stock for personal use or family's consumption
 - goods or services supplied to others in exchange for their goods or services

Receipts

- * Accurate records must be kept for all cash receipts. For such cases, a record of the following transactions should be kept:
 - cash sales
 - cash paid on account by customers
 - payments



Bank Statement

- * All bank statements or savings books, into which account money for the business has been credited or withdrawn, should be retained.
- * Separate accounts for business and personal use should be maintained. If, for any reason, a separate account is not maintained for the business, a record should be kept to identify the transactions which are for business purposes.

Inventory figures

- * At the end of the accounting period, a physical stock-take should be made to ascertain the quantity and cost of stock on hand which may include raw materials; work-in-progress; and finished goods

List of Debtors and creditors

- * Separate records for trade, non-trade debtors and creditors, i.e. persons owing money to the individual or to whom the individual owes money which are not related to the business should be maintained.

List of assets and liabilities

- * There are instances where assets and liabilities may be used for both business and personal purposes such as :

- * ***Motor Vehicle***
A record of business and private mileage should be kept. This will be the basis used to allocate the expenses incurred on the vehicle between the two purposes.

- * ***Premises***
A part of the residence may be used for business purposes. If the expenses incurred on the premises can be easily identified as relating to private living quarters, then such records should be maintained. However certain expenses may not be identifiable as relating to private use only e.g. (electricity and water). In such situations, a fair estimation of private use should be noted when the expenses are recorded.

Overdraft/Loan

Details of private or non business use of the overdraft/ loan, including purchase of shares or non business property and drawings for personal use should be maintained.

Private money used in business

A record should be kept of any money that was invested into the Business. Evidence of such money should be retained (e.g. Legacy or lottery winnings etc.)

In the case of a partnership, money brought into or taken out of the business, the partners' share of profits, interest on capital, salaries and other business should be recorded.

Personal expenses paid for by the business (e.g. Educational fees for children, holiday expenses for family) should also be recorded separately.



Contract and subcontract payments

Details of contractors or subcontractors such as name address, identity card number, amount and date of payment and the nature of work done are required to support the payments made.

Depreciation Schedules

Profit and Loss Statement and Balance Sheet

Any other document that confirms entries in your accounts (such as worksheets)

Part 3: Bookkeeping

13. If I am carrying on a small business i.e. A business with gross Annual revenue of not more than \$200, 000 from the sale of goods or not more than \$350,000 from the performance of services, how do I prepare my accounts?

Accounts can be prepare based on a cash basis i.e. You can report the income that you have received and deduct the expenses that you have paid during the accounting period.

14. Example: Business providing goods - Snackette

Jane Thomas sells snacks in the Food Court at the Castries Market . She rents a stall and pays \$500.00 rental per month. She employs two persons to assist with the daily operations of the business.

Jane Thomas can keep proper records by maintaining and updating the cash book together with some Profit and Loss items.

Cashbook

A Cashbook is a record of all payments and receipts by way of cash or cheque. It keeps track of how much money comes in and how you spend.

An example of a simple cashbook format is as follows :

Date	Particulars	CASH		BANK	
		Dr. Payment	Cr. Payment	Dr. Payment	Cr. Payment

How to record receipts and payments?

Jane Thomas has total sales of \$4,800.00 on January 31, 2001. On the same day, she made the following payments :

- * Wages for the month January - \$300.00 per person
- * Rental of Stall - \$500.00
- * Utilities - Electricity :\$120.00; Water: \$300.00

The above receipts and payments can be recorded as follows :

Date	Particulars	Cash		Bank		Sales	Utilities	Wages	Rental
		Dr	Cr	Dr	Cr				
31/01/01	Sales	1,200				150			
	Wages	600						600	
	Rental	500							500
	Utilities	420					420		

Jane Thomas should add up the columns at the end of the month to get the monthly balance for all items. The cash book figures can be used to reconcile with business's bank statement each month.



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