

RECORDS & SYSTEMS

Maintaining Records: What to Keep and for How Long

Which business and tax records you must keep, how long to keep them, and how to store them so they can be found when you need them.

FOR: ALL BUSINESS OWNERS • ANY EXPERIENCE

Why records matter

Good records are the foundation of everything else you do with your finances. They let you prepare accurate accounts and tax returns, claim every cost you are entitled to, answer questions from HMRC quickly, and show a lender or buyer what the business is really worth. Poor records cost money in three ways: you miss costs you could have claimed, you spend time and fees reconstructing what happened, and you risk penalties if HMRC asks for evidence that you cannot produce.

What you need to keep

The law expects you to keep records that show your income and expenses, and your assets and liabilities, in enough detail to prepare your tax return and accounts. In practice that means:

- **Sales records:** invoices issued, till rolls, takings, online sales reports, and the bank records of payment.
- **Purchase and expense records:** supplier invoices, receipts, card statements, mileage logs and explanations for anything unusual.
- **Bank and card statements,** for every account used by the business, including savings and credit cards.
- **Payroll records:** pay, deductions, pensions, benefits, and reports sent to HMRC.
- **VAT records,** if you are registered: VAT invoices, the VAT account, and copies of returns.
- **Assets and loans:** purchase invoices for equipment and vehicles, finance agreements, loan statements.
- **Company records,** if you have a company: board and shareholder decisions, statutory registers, share certificates, and filed documents.
- **Contracts and correspondence** that explain commitments or unusual items.

What you should not keep unnecessarily

Personal data should not be kept longer than it is needed. If you hold customer or staff details, decide how long you need them and delete them when that period ends. Keep the financial records the law requires, but do not hold everything forever.

Who this is for

- Anyone who keeps receipts in a shoebox
- New businesses setting up their filing
- Owners preparing for a sale or an enquiry

Key points

- Record as you go. Recreating records is slow and unreliable.
- Digital copies are generally acceptable, if legible and complete.
- Know your retention periods and diarise disposal.
- Keep records where more than one person can find them.
- Back them up.

How long to keep them

The minimum depends on who you are and what the record is. In outline:

RECORD	TYPICAL MINIMUM PERIOD
Sole trader and partnership business records	At least five years after the 31 January deadline for the tax year
Company accounting records	Six years from the end of the accounting period
VAT records	Six years
PAYE and payroll records	Three years from the end of the tax year
Pension scheme records	Longer, check current rules

Some records must be kept longer: where an enquiry is open, where a claim carries on, or where the record supports an asset you still hold, such as a property deed or a share certificate. If in doubt, keep it, and ask your accountant.

Paper or digital?

HMRC accepts digital records, provided they are complete, legible and can be produced when asked. Scanning or photographing paper receipts and storing them in your accounting software, linked to the transaction, is more reliable than a shoebox. You do not usually need to keep the paper original after a good scan, but keep any document with legal weight, such as signed contracts and deeds.

Make them easy to find

- **Use one system.** Cloud accounting with attachments and a clear folder structure for everything else.
- **Name files consistently**, by date, supplier and what it is.
- **Share access** with your accountant and one trusted colleague.
- **Back up** regularly, to a second location.
- **Review once a year**, to file the year's records and clear out what has passed its period.

When records are missing

If you lose records, tell your accountant straight away. There may be ways to reconstruct them from bank statements and supplier accounts, and HMRC accepts reasonable estimates in some cases, but the penalty for failing to keep adequate records can be significant.

Related guides

If this is useful, you may also want:

- Bookkeeping basics
- Expenses, receipts and mileage
- Protecting your business data

Annual records review

- File the year's records
- Check retention periods
- Destroy what has expired
- Check the backups work
- Update your filing system
- Tell your accountant of gaps

How King Street can help

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We help you set up a simple record-keeping routine in your cloud accounting software, with receipt capture, bank feeds and a clear filing structure. We also advise on retention periods for your business, and help reconstruct records where something has gone missing.

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