

How Long Should You Keep Books & Records?

There is no simple answer to this question because different types of record are covered by different types of legislation, as shown by the following summary:

Value added tax

By law, VAT records have to be kept for six years unless HM Revenue & Customs (HMRC) allows a shorter period. Any request you make to keep records for a shorter period must be accompanied by a full explanation of why it is considered impractical to keep the records.

PAYE

HMRC recommends that pay records be kept for at least three years after the income tax year to which they relate.

Taxes generally

For periods before the start of self assessment HMRC could issue an assessment at any time up to six years after the end of the chargeable period to which the assessment related. There is no limit in cases of fraud or wilful default. All business records must be retained for a period of (broadly) six years.

As a general rule, HMRC can raise an enquiry into a self assessment tax return within 12 months of the date the return was submitted. Where an incomplete return has been made, they can issue an assessment at any time up to four years after the end of the chargeable period to which the assessment related. Where the loss of tax is due to carelessness, the time limit is extended to six years. There is a limit of 20 years in cases of fraud or wilful default. Under normal circumstances, all business records must be retained for a period of (broadly) six years.

Company records

Under corporation tax self assessment, accounting records must be preserved for six years from the end of the accounting period.

With regard to the statutory books, the Companies Act states they must be retained for 10 years.

Government grants

Documents relating to government grants must generally be kept for four years from receipt of the grant. Where grant aid is still being received, no documents should be destroyed without consulting the relevant government department.

Employers' Liability policy certificates

The former requirement to keep Employers' Liability policy certificates for 40 years has been replaced by guidance. Businesses are reminded that their potential liability for illness and injury at work does not end when the policy expires. Records should be retained to ensure that any future claim can be met.

Limitation Act 1980 - general periods

The 1980 Act allows an action to be brought on a contract for up to six years from the event (e.g. breach) that gave rise to the claim.

Where a contract is under seal (or deed), the time limit is twelve years.

These periods govern how long invoices and other documents should be retained as evidence in case of a claim by, or against, another party.

Conclusion

Taking into account the various requirements outlined above, we recommend that you keep all records for at least six years after the end of the accounting period or tax year.

Do call us if you would like further help or advice on this subject.