

Public Ruling No. 6/2000

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.

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 or an individual must keep and retain sufficient records to enable the income or loss from the business or excess / deficit of revenue over expenditure 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 A person other than a company or an individual should keep records and books of accounts including a cash book, a sales ledger, a purchases ledger and a general ledger. The type of books that should be kept will depend on the nature and the size of the business. These books of accounts 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). 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. 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. A valuation of the stock in trade should be made at the end of the accounting period and the appropriate records maintained.
 - 3.3.2 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 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 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 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 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 chargeable income of the person will be determined according to the best judgement of the Director General and an assessment will be raised accordingly.
- 3.4.2 The karta of a Hindu joint family, the trustee of a trust, the executor or administrator of the estate of a deceased individual, or the manager or treasurer or secretary or committee member of a club or association may be prosecuted and, on conviction, may be liable to a fine of not less than RM200 and not more than RM2,000 or to imprisonment for a term not exceeding six 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 original source documents.

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