



**REVENUE DIVISION
MINISTRY OF FINANCE
BRUNEI DARUSSALAM**

INCOME TAX PUBLIC RULING

KEEPING OF BOOKS OF ACCOUNT

**PR NO. 05/2017
EFFECTIVE DATE: 1 JANUARY 2018**

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1. INTRODUCTION

The objectives of this Public Ruling (PR) are to:

- (i) Provide guidelines on the records and source documents that substantiate all business transactions, that are to be retained for the purpose of income tax;
- (ii) Explain the types of records that a company need to keep;
- (iii) Explain ways on how to keep the records; and
- (iv) Explain the consequences of failing to keep sufficient records.

2. RELEVANT PROVISIONS OF THE LAW

This PR applies in respect of section 56A of the Income Tax Act, Chapter 35.

3. INTERPRETATION

The words used in this PR have the following interpretation:

“Records” includes –

- (a) books of account recording receipts, payments, income and expenditure;
- (b) invoices, vouchers, receipts and such other documents as in the opinion of the Collector are necessary to verify the entries in any book of account; and
- (c) any records relating to any trade, business, profession or vocation.

“Registered Office” means –

- (a) To which all communications and notices may be addressed; and
- (b) To which shall be open and accessible to the public for not less than 3 hours during ordinary business hours on each business day.

4. APPLYING THE LAW

A company is required under the Income Tax Act, Chapter 35 to keep and retain in safe custody sufficient records to enable the income or loss of the company for the basis period for any year of assessment to be readily determined.

It is the responsibility of company to ensure that proper records are kept to ensure that the Income Tax declarations are duly supported with the required documents.

4.1 Records / Books of Accounts

4.1.1 General requirements

- (i) A company must 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 company. For example, a small retail shop may only have a trading account whereas a manufacturing company may have a production or manufacturing account.

- (ii) A company must record transactions every day to keep records up-to-date. Record keeping should not be left until the end of the month or accounting period.
- (iii) Source documents such as invoices, vouchers, bank statements, pay-in slips, receipts for payments, payroll records and copies of receipts issued must also be retained in safe custody.
- (iv) A company must issue printed receipts and serially numbered upon sales of goods and/or services, and the duplicate of every such receipts must be retained.
- (v) A company must conduct stock-in-trade valuation at the end of every accounting period and maintain appropriate records.

4.1.2 Sufficiency of records

Records can be kept in manual or electronic form and it should be sufficient to explain each transaction and to enable a true and fair profit & loss account and balance sheet to be prepared.

(i) Manual Record Keeping

- (a) Manual record keeping is the recording of your company's business transactions in a physical form. Examples of manual records are record books, receipts and physical invoices;
- (b) When you keep your records manually, you must make sure that you keep all your records in a legible and well-organised manner. For example, you should retain photocopies of receipts printed on thermal paper in case the originals fade over time.

(ii) Electronic Records

- (a) Records can be kept electronically using a computer and / or accounting software. This includes using Microsoft Office applications, off-the-shelf accounting software, customised accounting software and image systems.
- (b) Companies should ensure that proper internal controls are put in place to ensure the integrity, completeness, accuracy, availability and reliability of the electronic records, including all transactions executed electronically, where applicable.

The company's business transactions must be supported by source documents such as invoices/receipts from your suppliers, and carbon/duplicate copies of invoices/receipts issued to your customers.

4.1.3 Place for keeping records

Records and books of accounts should be kept at the registered office or the business premises of the company in Brunei Darussalam. If the records and books of accounts for operations outside Brunei Darussalam are kept outside Brunei Darussalam, the records and books of accounts should be produced at the registered

office or the business premises of the company, when requested by the Collector of Income Tax.

4.1.4 Period for keeping records

- (i) Records are to be kept/retained for at least 7 years from the Year of Assessment (YOA) to which any income relates.

Example:

The financial year of a company is the year ending 30th June 2017 (YOA 2018)

The records of the company for the financial year ending 30th June 2017 should be retained until 31st December 2024 – Year of Assessment 2025 [i.e. more than 7 years from the year of assessment to which the records relate].

- (ii) Where if the return is not furnished within the time, relevant records are to be retained for a period of 7 years from the date the return is furnished.

Example:

The financial year of a company is the year ending 31st December 2012 (basis year for YOA 2013). The company fails to furnish its income tax return for YOA 2013 on 30th June 2013 and only manage to submit 30th June 2014.

The records of the company for the financial year ending 31st December 2012 should be retained until 31st December 2021. [i.e. 7 years from the end of 2013 (the year in which the return is furnished), and not from the end of 2012 (the year to which the records relate)].

- (iii) Where there is an appeal against an assessment, the relevant records are to be retained until the appeal is finally determined.

Example:

Company A submits an appeals case relating to YOA 2014, to the Income Tax Board of Review for review.

The records of the company for that particular YOA must be retained until final decision has been made by the Income Tax Board of Review.

4.1.5 Records to be kept in the Malay and English language

Records and books of accounts should be written in the Malay or the English language. If the records and books of accounts are written in a language other than the Malay or English language, a written translation is to be provided, at the expense of the company, when requested by the Collector of Income Tax.

4.1.6 Good record keeping practices

Advantages of good record keeping practices are as follows:

- (i) Companies are able to make better business decisions;
- (ii) Enhances awareness of the financial status of the company; and
- (iii) Reduce cost and effort required to file Income Tax Returns and replies to tax queries.

4.2 Implications of failure to keep sufficient records

In the event of insufficient records, the Revenue Division will refer to available sources to estimate the company's performance according to the best judgment under section 61 of the Income Tax Act and make an assessment accordingly. Certain outgoings or expenses claims not supported by sufficient records may be disallowed.

The company may also be guilty of an offence for failing to keep and retain sufficient records, and upon conviction, a fine of \$10,000 and in default of payment to imprisonment for 12 months.

5. TYPES OF RECORDS AND SOURCE DOCUMENTS THAT MUST BE KEPT

Companies must keep sufficient records (including source documents) and be able to explain all transactions relating to their income and expenditure.

5.1 Income records

Income refers to money or benefit that the company receives in exchange for goods sold or services rendered. The records (including source documents) of income that must be kept includes:

- (i) Serially-numbered printed receipts or vouchers issued, or cash register tapes as proof of all sales transactions;
- (ii) Credit notes for returned goods by customers;
- (iii) Export documents, e.g. delivery orders, bills of lading, air waybills, export permits;
- (iv) Business contracts or agreements signed with customers;
- (v) Evidence that payments have been received (e.g. bank statements and bank-in-slips);
- (vi) Rental agreements signed by both landlord and tenant as proof of rental income; and
- (vii) Records where stock-in-trade is taken for private or personal consumption by the shareholders and employees.

5.2 Purchase records

Purchase refers to materials, goods or services bought by the company for resale purposes. The records (including source documents) of purchase that must be kept includes:

- (i) Sales invoices, receipts or credit notes received from suppliers as proof of all purchase transactions;
- (ii) debit notes issued to suppliers;
- (iii) Import documents e.g. bills of lading, air waybills, import permits, subsidiary import certificates, inward summary reports from land, air or sea transportation companies;
- (iv) Business contracts or agreements signed with suppliers; and
- (v) Evidence that payments have been made (e.g. bank statements).

5.3 Expense records

Expenses refer to the money spent or cost incurred in a company. The records (including source documents) of expenses that must be kept includes:

- (i) Sales invoices or receipts received for the expenses as proof of all business expenses;
- (ii) Payment vouchers for payments made for goods or services received (with acknowledgement of receipt by the recipient) and the relevant contracts or agreements signed with the good or service providers;
- (iii) Rental agreements signed by both landlord and tenant for the rental expenses;
- (iv) Payment vouchers for employee remuneration (including staff, directors, shareholders and others);
- (v) Document outlining the benefit-in-kinds and other payments provided to staff, directors and shareholders (e.g. employment contract, human resource policies and other documentation);
- (vi) Receipts and other documents from TAP and SCP for the contributions made by employer;
- (vii) Evidence that payments have been made (e.g. bank statements);
- (viii) Minutes of Annual General Meeting or Extraordinary General Meeting reflecting the approval of fees, remuneration and other payments to the shareholders and directors; and
- (ix) Correspondences between the company and other parties (e.g. email correspondences, message conversation, and letters).

5.4 Accounting Records and Schedules

5.4.1 The company is required to keep accounting records and schedules in a systematic order that include:

- (i) Stock listings to record stock on hand and stock-in-transit at the end of each accounting period;
- (ii) Sales listings/ledgers that record all the sales transactions;
- (iii) Purchase listings/ledgers that record all the purchases transactions;
- (iv) General ledgers to record assets and liabilities as well as income and expenses;
- (v) Detailed schedules of operating expenses such as motor vehicle expenses, overseas and local travelling expenses, entertainment expenses, repair and maintenance expenses, and utility charges (telephone, water and electricity); and
- (vi) Fixed asset schedules, including assets disposed and purchased during the accounting period.

5.4.2 The accounting records and schedules for a financial year can be used to prepare a company's Profit and Loss Statement and Balance Sheet as per **Appendix 1A** and **1B**.

5.4.3 The company must keep the source documents (e.g. receipts, invoices, vouchers, other relevant documents) that explain how these accounting records and schedules were derived, should the Revenue Division request for an explanation. Failure to keep source documents may result in the Revenue Division to exercise its best judgement to estimate revenue earned, disallowing claims for expenses and capital allowances, and imposing penalties.

6. DETAILS ON DIFFERENT TYPES OF SOURCE DOCUMENTS

6.1 Cash Register Tapes/Till Rolls

A cash register with an internal tape can be used to record all cash sales. When using a cash register, the company must ensure that all cash sales are recorded in the cash register and that the internal tape is retained as a source document. The company can record the total amount of cash receipts manually or electronically at the end of each day.

6.2 Delivery Order/Service Order

Delivery order / service order is a document addressed to a customer that records an order for delivery of goods. It does not contain financial information, just the product details and quantity. When the goods are delivered, the customer will sign for acknowledgment receipt of the goods. It should include the following information:

- (i) An identifying number (serially printed numbered);
- (ii) Date when goods was delivered/date of service rendered;
- (iii) Company name and address;
- (iv) Customer name and address;
- (v) A description of goods delivered/services provided;
- (vi) For each description of goods or services supplied, the quantity of goods or the extent of services; and
- (vii) Acknowledgment date and signature.

6.3 Sales invoice

Sales invoice is a request of payment from the customer for goods sold or services provided. The document records the sale of goods or services to a customer. If the customer pays in cash and not by cheque, the company must show clearly in the sales invoice that payment has been received and the date of receipt of the payment. The sales invoice should include the following information:

- (i) An identifying number (serially printed numbered), e.g. invoice number;
- (ii) Date of issue of the invoice;
- (iii) Company name and address;
- (iv) Customers name and address;
- (v) Sufficient description of the goods or services supplied;

- (vi) For each description of goods or services supplied, the quantity of goods or the extent of services, and the price;
- (vii) Payment term;
- (viii) Trade and cash discount offered (if any);
- (ix) The total price; and
- (x) Authorized date and signature.

6.4 Credit note

Credit notes are issued to customers for goods which have been sold but later returned, or to give credits to the customers. The returns of goods due to e.g. incorrect quantity, defective or damaged goods, or incorrect invoicing; or partial/full waiver of charges before the delivery of goods need to be recorded because they reduce the sales figures. A credit note should include the following information:

- (i) An identifying number (serially printed numbered);
- (ii) Date of goods returned/date of issue of the note;
- (iii) Company name and address;
- (iv) Customer name and address;
- (v) Sufficient description of the goods returned including date of transaction, product detail, quantity, price per unit;
- (vi) The identifying number and date of original invoice issued;
- (vii) Any cash discount offered and reasons for the credit given; and
- (viii) The total amount.

6.5 Official receipt

When the company issues a receipt to a customer, the duplicate copy of the receipt must be kept for reconciliation with the income transaction, and must be serially numbered. An official receipt should include the following information (as a result of sales or other incomes):

- (i) An identifying number (serially printed numbered);

- (ii) Date of transaction;
- (iii) Company name and address;
- (iv) A description of the goods or services supplied;
- (v) For each description of goods or services supplied, the quantity of goods or the extent of services and the price; and
- (vi) The total amount.

6.6 Purchase Order

Purchase order is a commercial document issued by the company to order goods or services from supplier. It should include the following information:

- (i) An identifying number (serially printed numbered);
- (ii) Date of goods/services ordered;
- (iii) Company name and address;
- (iv) Supplier name and address;
- (v) A description of goods/services ordered;
- (vi) For each description of goods or services, the quantity of goods or the extent of services and the agreed price; and
- (vii) Total amount.

6.7 Debit note

Debit notes are issued to suppliers for materials or goods which have been purchased but later returned. A debit note should include the following information:

- (i) An identifying number (serially printed numbered);
- (ii) Date of goods return/date of issue of the note;
- (iii) Supplier's business name and address;
- (iv) The company's name and address;

- (v) Description sufficiently of the goods returned including date of transaction, product detail, quantity, price per unit and reasons for the return; and
- (vi) The total amount.

6.8 Documents Relating to Imports and Exports

The company is required to keep all the import and export documents such as the import and export permits, subsidiary import certificates, notes of shipment, parcel dispatch notes, courier consignment notes, bills of lading, air waybills, inward summary reports from land, air or sea transportation companies, invoices, purchase orders, packing lists, delivery notes, insurance documents and evidence of payments made.

6.9 Payment Voucher

A payment voucher should include the following information (as a result of purchases or for any other expenditures):

- (i) An identifying number (serially printed numbered);
- (ii) Date of payment;
- (iii) Company name and address;
- (iv) Payee name and address;
- (v) Description of payment and amount;
- (vi) Mode of payment; and
- (vii) Authorized signatures.

6.10 Bank Statements

Bank statements, which show your transactions with the bank during the month, are vital to the company's record keeping and should be safely filed in chronological order. Companies must retain all business-related bank statements. Regular depositing of all business receipts into the company bank account enables easier tracking of business income.

Bank statement details may differ from your records as direct debits, bank charges and interest may be deducted from your bank account. You will not know the amount of these deductions until you receive the bank statements.

You are advised to do regular bank reconciliation to update your records with the deductions stated in your bank statements.

6.11 Log book

Log book for each motor vehicle should include:

- (i) Vehicle model, registration number and registered name;
- (ii) Date and time on which the trip started and ended;
- (iii) Nights taken home by employee;
- (iv) Odometer reading at start of trip;
- (v) Odometer reading at end of journey;
- (vi) Number of kilometers travelled in the course of the trip;
- (vii) Description of trip;
- (viii) Drivers' full names and signatures; and
- (ix) Portion kilometers for personal and business use.

6.12 Staff remuneration

Staff Remuneration includes wages, salaries, bonuses, commission, overtime, allowances and other benefits. You need to keep the following records:

- (i) Details of employees, including full name, identification number and designation;
- (ii) Payment vouchers or remuneration schedules; and
- (iii) TAP and SCP statements for your claims of employer's TAP and SCP contributions.

6.13 Stock-in-trade Lists

Preparing a stock list will help the company to keep track of the stock on hand at the end of each accounting period. Stock-in-trade includes anything produced, manufactured, acquired or purchased for the purpose of

manufacture or sale. To determine the closing stock value, a physical stock count should be carried out at the end of each accounting period.

6.14 Fixed Asset Schedules

A fixed asset schedule should detail all the expenditure relating to the company's fixed assets. The companies are advised to prepare a fixed asset schedule at the time the companies start the business to record the assets purchased. A company usually has a number of assets such as furniture and fitting, plant and equipment, machineries and motor vehicles. The following details should be recorded for each asset purchased:

- (i) Date of purchase and cost; and
- (ii) Date of sale and sale price (if applicable).

Documents such as contracts of purchase or sale (e.g. hire purchase and leasing agreements), payment receipts and invoices should be kept.

7. SCHEDULES/APPENDICES

The company is required to prepare and keep the following schedules/appendices. Please take note that the list is by no mean exhaustive and only intended to illustrate the minimum record keeping of the company.

Appendix 1A – Profit and Loss Statement

Appendix 1B – Balance Sheet

Appendix 2A – Revenue Records – Cash Sales

Appendix 2B – Revenue Records – Credit Sales

Appendix 3A – Purchase Records – Cash Purchases

Appendix 3B – Purchase Records – Credit Purchases

Appendix 4 – Sales Return

Appendix 5 – Purchases Return

Appendix 6A - Salaries and Wages

Appendix 6B – Directors' and Shareholders' Remuneration

Appendix 7 - Stock List

Appendix 8 – Motor vehicles expenses

Appendix 9 – Travelling

Appendix 10 – Entertainment

Appendix 11 – Fixed Assets

Appendix 12 – Repair and maintenance

8. EFFECTIVE DATE

This ruling is effective commencing **1st January 2018**.