

## Records – Retention for company and tax use

There are various statutory requirements regarding the types of records to be kept, the form in which they should be maintained, and the length of time for which they must be retained. In practice, it may be necessary or advisable to keep additional records or to retain them for a longer time to provide evidence for litigation or other purposes.

### Companies Act 1993

The Companies Act states specifically what types of company records must be retained, what must be available for public inspection, and how long such records must be retained. Generally, this period is 7 years.

- ✦ The share register must record details of shareholders within the last 10 years.

The company records that must be kept, usually at the company's registered office, include:

- ✦ The company's constitution;
- ✦ Minutes of all meetings and resolutions of shareholders, directors, and directors' committees within the last 7 years;
- ✦ An interests register;
- ✦ Certificates given by the directors under the Act within the last 7 years;
- ✦ Full names and addresses of the current directors;
- ✦ Copies of all written communications to shareholders, including annual reports, during the last 7 years;
- ✦ Accounting records and copies of all statutory financial statements for the last seven completed accounting periods; and
- ✦ A share register.

Accounting records must be kept for at least 7 years after the completion of the transactions or the period to which they relate.

These records must correctly record and explain the company's transactions and enable

its financial position to be determined at any time with reasonable accuracy. They should also enable the directors to ensure that financial statements comply with statutory requirements and can be readily and properly audited.

If a company's accounting records are kept outside New Zealand, accounts and returns must be sent to New Zealand to enable the company's financial position at 6-monthly intervals to be disclosed with reasonable accuracy, and to enable financial statements to be prepared as required by statute.

Accounting records must be kept in written form and in English or readily accessible and convertible into a written English form.

The Companies Act 1993 also specifies what must be kept available for inspection. Anyone may seek to inspect the:

- ✦ Certificate of incorporation;
- ✦ Company's constitution;
- ✦ Share register;
- ✦ Full names and residential addresses of directors; and
- ✦ Registered office and address for service.

Shareholders may also seek to inspect:

- ✦ Minutes of all shareholders' meetings and resolutions;
- ✦ Copies of all written communications to shareholders, including financial statements and annual reports, during the preceding 10 years;
- ✦ Directors' certificates; and
- ✦ The interests register.

## IncomeTax

Business taxpayers must retain relevant records in New Zealand for at least 7 years after the end of the income year to which they relate. The CIR may require records to be kept up to a further 3 years where there is a current or intended audit or investigation of the taxpayer's affairs. These requirements apply to everyone who:

- ✦ Carries on business in New Zealand;
- ✦ Carries on other gross-income-earning activities in New Zealand (apart from employment);
- ✦ Has investments;
- ✦ Makes specified superannuation contributions;
- ✦ Provides fringe benefits; or
- ✦ Has an imputation credit account, dividend withholding payment account, branch equivalent tax account, or policy-holder credit account.

The records may be in a manual, mechanical, or electronic format. They must be kept in English and be sufficient to establish gross income and allowable deductions, fringe benefits, foreign dividends, entries to the various imputation or tax credit accounts, and specified superannuation contributions as appropriate.

Where income tax returns are filed electronically, the signed hard-copy transcript must also be retained for at least 7 years after the end of the income year to which it relates.

The records should include details of:

- ✦ Assets and liabilities;
- ✦ Goods bought and sold, and stock on hand;
- ✦ Services provided and supporting invoices; and
- ✦ The accounting system.

In relation to trading stock, taxpayers must now keep all accounting records relating to the calculation of the value of closing stock. This requirement is relaxed slightly for small taxpayers, being those with a turnover not exceeding \$3m. Such taxpayers have to retain records of valuation methods and their application in calculating the value of closing stock, except where they are not materially different from the previous income year.

### Trusts

Trustees of trusts which have debt forgiven by creditors must keep records of those amounts together with records of distributions to beneficiaries 'for as long as the trust exists'. Furthermore, the trustee must take all reasonable precautions for the safe custody of these records.

Pay-period taxpayers whose income has had tax deducted at its source do not need to keep records for more than 12 months after the year in which that income is received.

### Liquidated companies

Records do not need to be kept once a company has been liquidated. Employer monthly schedules are also exempt from the above requirements.

### Electronic record retention

The key requirements for all types of electronic record retention are that the records must:

- ✦ Allow Inland Revenue to readily ascertain the amount of tax payable;
- ✦ Be complete and accurate copies;
- ✦ Be readily accessible, secure from alteration, and unauthorised access;
- ✦ Be capable of being retrieved and produced as a legible hard copy or supplied to Inland Revenue in electronic form; and
- ✦ Be identical in format and in all other respects to the original records when they are reproduced in printed form.

---

## Disclaimer

Important: This is not advice. Clients should not act solely on the basis of the material contained in this fact sheet. Items herein are general comments only and do not constitute or convey advice per se. Changes in legislation may occur quickly. We therefore recommend that our formal advice be sought before acting in any of the areas. We believe the contents to be true and accurate as at the date of writing but can give no assurances or warranty regarding the accuracy, currency or applicability of any of the contents. This fact sheet is made available to our clients as a helpful guide for their private information. Therefore it should be regarded as confidential and should not be made available to any person without our prior approval.

## Internet transactions

Taxpayers who carry out transactions electronically or through the internet must ensure that their systems capture all transactions completely and accurately. IRD approval should be sought for the use of symbols or abbreviations to facilitate the electronic transfer of GST tax invoices, credit notes, or debit notes.

## Emails

Emails, including details of origin, destination and time, must be retained and accessible if they constitute business records. Taxpayers should ensure that their backup and recovery procedures will guarantee the availability of electronic records for the statutory record retention periods.

Care must also be taken to ensure retrieval remains possible following changes of computer hardware or software.

## See Us First

- ✦ To assist you in meeting the necessary legal or financial requirements.
- ✦ If you consider that any of the issues contained in this fact sheet may affect you.

---

## Disclaimer

Important: This is not advice. Clients should not act solely on the basis of the material contained in this fact sheet. Items herein are general comments only and do not constitute or convey advice per se. Changes in legislation may occur quickly. We therefore recommend that our formal advice be sought before acting in any of the areas. We believe the contents to be true and accurate as at the date of writing but can give no assurances or warranty regarding the accuracy, currency or applicability of any of the contents. This fact sheet is made available to our clients as a helpful guide for their private information. Therefore it should be regarded as confidential and should not be made available to any person without our prior approval.