

GOODS AND SERVICES TAX

KEEPING MACHINE-SENSIBLE RECORDS AND ELECTRONIC INVOICING



INLAND REVENUE
AUTHORITY
OF SINGAPORE

Keeping machine-sensible records and electronic invoicing

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TABLE OF CONTENTS

| | | |
|-----|--|---|
| 1 | INTRODUCTION..... | 1 |
| 2 | PART I | 2 |
| 2.1 | Record Retention in Machine-Sensible Form..... | 2 |
| 3 | PART II | 2 |
| 3.1 | Issue of Electronic Tax Invoices..... | 2 |
| 3.2 | Receipt of Electronic Tax Invoices | 2 |
| 4 | PART III | 3 |
| 4.1 | Criteria for Keeping of Records in Machine-Sensible Form | 3 |
| 4.2 | Storage Media & File Format for Tax Audit Purposes..... | 4 |
| 5 | PART IV | 5 |
| 5.1 | Criteria for Issuing of Electronic Tax Invoices | 5 |
| 6 | Part V..... | 6 |
| 6.1 | Penalties for Non-Compliance | 6 |

1 INTRODUCTION

Under the Income Tax Act and the Goods and Services Tax ('GST') Act, persons liable to pay income tax and GST registered businesses (referred to as "taxpayers") are required to keep their business records for a period of at least five years with effect from 1 January 2007 onwards. However, you are required to keep for 7 years, records pertaining to prescribed accounting periods ending before 1 January 2007.

For Income Tax purposes, the record keeping requirements relate to the keeping of records which will enable the taxpayer's income and allowable deductions to be readily ascertained. For GST purposes, record keeping requirements include the keeping of business and accounting records, tax invoices and receipts issued, tax invoices received, import and export documentation, credit notes and debit notes.

This guide explains the requirements that taxpayers must comply with in order to keep machine-sensible¹ records of electronic transactions (including electronic tax invoices) or other business records in electronic media.

Taxpayers do not need to seek approval from the Comptroller of Income Tax and GST to keep machine-sensible records of electronic transactions (including electronic tax invoices) or other business records in electronic media. However, taxpayers must comply with the criteria set out in this guide.

In drafting this guide IRAS' general principle is to be non-prescriptive of technology and to be mindful of minimizing costs borne by taxpayers in meeting their statutory record keeping obligations. We encourage taxpayers to integrate our requirements into their existing or proposed business record keeping and accounting systems provided the existing or proposed systems are reliable and able to meet the requirements specified in this guide.

¹ Records in machine-sensible forms means a collection of related information in an electronic format. Machine-sensible records do not include hard-copy records that are created or recorded on paper or stored in or by an imaging system such as microfilm, microfiche, or storage-only imaging systems.

Keeping machine-sensible records and electronic invoicing

2 PART I

2.1 Record Retention in Machine-Sensible Form

If you wish to retain records in a particular machine-sensible form, you must put in place internal controls to ensure the integrity, completeness², accuracy and availability of the retained records, and the reliability of the electronic storage system.

Even if you engage an external party to store and maintain the machine-sensible records, it is still your responsibility to ensure that the criteria set out in this guide are complied with.

The criteria to be complied with in order to retain records in machine-sensible form are set out in Part III of this guide.

3 PART II

3.1 Issue of Electronic Tax Invoices

You do not need to seek approval from IRAS to issue electronic tax invoices. However, there are criteria to be complied with for the issuance of electronic tax invoices.

If you wish to issue tax invoices electronically and store the electronic tax invoices issued in machine-sensible form and do not wish to keep the tax invoices in hard copies, you are required to comply with the criteria as set out in Part IV and Part III of this guide. However, if you wish to keep hard copies of the electronic tax invoices that you issue, you will only need to comply with the criteria set out in Part IV of this guide.

3.2 Receipt of Electronic Tax Invoices

You do not need to seek approval from IRAS to receive electronic tax invoices. However, if you do not wish to keep hard copies of the electronic tax invoices received and intend to store the tax invoices in electronic media, you are required to comply with the criteria set out in Part III of this guide.

²Completeness does not refer to the sufficiency of records but it means that the retained records must contain all the information and details that were present in their original form.

Keeping machine-sensible records and electronic invoicing

4 PART III

4.1 Criteria for Keeping of Records in Machine-Sensible Form

The following are the criteria that you are required to comply with to keep records in machine-sensible form:

- (a) the retained records are accurate and capture all transactions completely, including all transactions executed electronically (where applicable);
- (b) the retained records contain sufficient transaction-level details (including date and time of transactions) to allow for the verification of the details underlying the transactions;
- (c) the retained records are retained in their original format; or if converted to another format then documentation relating to the conversion process are maintained;
- (d) any passwords or additional records generated by computer systems such as digital signatures and the keys needed to verify the retained records, including decryption keys, are kept and maintained to the same standards as the retained records; the retained records are capable of being retrieved and printed on legible and readable hard copies;
- (e) the internal controls established by the company are adequate to ensure that all business transactions executed electronically, including those executed through Internet, are completely and accurately captured and retained in the electronic storage system;
- (f) the internal controls established by the company are adequate to ensure the reliability of the electronic storage system;
- (g) the internal controls established by the company are adequate to ensure the integrity, completeness, accuracy and availability of the machine-sensible records;
- (h) there are adequate security measures taken to prevent the risk of accidental or malicious damage to the retained records;
- (i) there are adequate security measures taken to prevent the risk of accidental or malicious damage to the retained records;
- (j) there are proper back-up and recovery procedures to ensure the availability of the retained records in the event of damage or loss of the original data;

Keeping machine-sensible records and electronic invoicing

- (k) whenever required by IRAS, you must provide the resources such as appropriate hardware, software, personnel and documentation, necessary to locate, retrieve, read and reproduce any retained records at all times. Specifically, the following must also be complied with when requested by IRAS:
 - (i) access to machine sensible records in specified file format to facilitate examination;
 - (ii) provision of facilities to print the retained records;
 - (iii) identify the details underlying the machine-sensible records, including field names, codes used and relationships between records.

Where you wish to seek a waiver of specific requirements contained in this guide, IRAS will be prepared to consider on a case-by-case basis provided that there are strong grounds. An application must be made in writing providing sufficient details on your grounds for seeking for the waiver.

4.2 Storage Media & File Format for Tax Audit Purposes

When the machine-sensible records are required by IRAS, you should have the facilities to output the records in both hard and soft copies. Soft copies of the documents should be made available in any of the following media and format options:

- (a) Media Options
 - (i) Saved in CD-ROM, 1.44MB floppy diskettes or Iomega ZIP diskettes, DVD-ROM or IDE Hard Disks.
- (b) File Format Options (for data listings)
 - (i) ASCII encoded files in any of the following data file formats:
 - fixed length;
 - delimited by commas or tabs, with record separation using CR/LF;
 - dBASE files created by “xBASE” products such as Dbase, Foxpro, Visual FoxPro and Clipper;
 - Microsoft Access files;
 - simple Lotus or Excel spreadsheets; or
 - XML Files;

Keeping machine-sensible records and electronic invoicing

- (ii) EBCDIC encoded files.
- (c) File Format Options (for non data listings)
 - (i) Microsoft Word;
 - (ii) Lotus or Excel spreadsheets;
 - (iii) Adobe Acrobat;
 - (iv) Rich Text Format;
 - (v) XML; or
 - (vi) HTML

The above media and data formats are specified because they are common media and data formats which IRAS has the facilities to handle. IRAS will be prepared to consider other media and data formats on a case by case basis, provided IRAS has the facilities to handle such media or data formats.

5 PART IV

5.1 Criteria for Issuing of Electronic Tax Invoices

The following are the criteria that you are required to comply with for issuing of electronic tax invoices :-

- (a) You must establish internal controls to ensure that the electronic tax invoices issued and transmitted to customers are complete and accurate;
- (b) You must establish controls to ensure that the electronic tax invoices cannot be manipulated before and during transmission;
- (c) You must establish internal controls to ensure that all output GST resulting from these electronic transactions will be fully accounted to the Inland Revenue Authority of Singapore in your GST returns;
- (d) You must ensure that the electronic tax invoices issued and transmitted to customers contain all the details required under Regulation 11 or Regulation 13 of the Goods & Services Tax (General) Regulations 1993, where applicable; and
- (e) You will not issue tax invoices in paper form to customers whom you already issued electronic tax invoices. In the event that you need to issue the tax invoices in paper form, you must take the necessary measures to prevent double claiming of input tax by your customers (e.g. invalidate either the paper form or electronic form of the tax invoices issued).

Keeping machine-sensible records and electronic invoicing

- (f) You will print and keep a hard copy of the electronic tax invoices issued if you do not intend to store the tax invoices in electronic media.

6 Part V

6.1 Penalties for Non-Compliance

Failure to comply with the criteria set out in this guide may constitute an offence under section 67 read with section 94 of the Income Tax Act or an offence under section 46(6) of the Goods and Services Tax Act. If convicted of the offence under the Income Tax Act, a fine not exceeding \$1000 may be imposed and in default of payment, imprisonment for a term not exceeding 6 months. If convicted of the offence under the Goods and Services Tax Act, a fine not exceeding \$5000 may be imposed or imprisonment for a term not exceeding 6 months or both.