

# **GOODS AND SERVICES TAX**

## **KEEPING RECORDS OF BUSINESS AND TRANSACTIONS IN MICROFORMS**



INLAND REVENUE  
AUTHORITY  
OF SINGAPORE

## Keeping records of business and transactions in microforms

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### 1 INTRODUCTION

Taxpayers are required to keep sufficient records to document all relevant transactions for purposes of both the Income Tax Act and the Goods and Services Tax Act. These records may be kept in microforms if the storage of business records is being carried out in accordance with the compliance criteria, controls and requirements of the Comptrollers of Income Tax and Goods & Services Tax ('GST'),

In the Guide for Keeping Records of Business Transactions in Microforms issued on 17 May 2000<sup>1</sup> (hereinafter referred to as '2000 Guide'), the compliance criteria, controls and requirements that taxpayers must comply with in order to keep their business records in microforms were made known. Furthermore the 2000 Guide also stated the conditions that taxpayers must comply and the procedures that they should follow to seek the approval of the Comptrollers of Income Tax and GST before they can proceed to keep their records in microforms.

With the changes of the law in the GST Act in 2003 to allow businesses to issue electronic tax invoices without seeking approval from the Comptroller of GST, businesses are not required to seek approval from the Comptrollers of Income Tax and GST to keep business records in microforms. However, taxpayers must comply with the criteria<sup>2</sup> set out in this Guide. Failure to comply with the criteria would result in penalties described in paragraph 18 below.

With effect from 1 January 2007, you are required to keep for 5 years, records pertaining to prescribed accounting periods ending on or after 1 January 2007. However, you are required to keep for 7 years, records pertaining to prescribed accounting periods ending before 1 January 2007.

### 2 Definition of Terms Used

In this Guide, the terms used are defined as follows:

- (a) "Business records" include all paper records received or created in the normal course of business, but exclude listings generated from machine-sensible records;
- (b) "Microforms" include only microfilms, microfiches and ultra fiches wherein microimages of information are stored;
- (c) "Processes" include the steps involved in the filming, development and washing of the microforms as well as the quality checks, the preparation, storage and disposal of the source documents;

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<sup>1</sup>This guide has been issued manually and is not available at the IRAS website

<sup>2</sup>If the microforming process has been approved as an approved process under the Evidence Act, it will be deemed to have complied with the criteria set out in this Guide.

<sup>3</sup>Refer to our Guide on "Keeping machine-sensible records & Electronic Invoicing"

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- (d) "Industry standards" refer to standards issued by ISO, ANSI SSIR or any authoritative body on the subject;
- (e) "Microimages" refer to the photographic images of the source documents that are captured on the microforms;
- (f) "Biographical details" include the date the image captured, the time, the operator identification, the capture device identification and location, and the details of modification, if any.

### 3 Compliance Criteria

The following are the compliance criteria that taxpayers are required to comply with to keep records in microforms:

- (a) The physical condition of the microforms, once produced, should not deteriorate during the required period of retention
- (b) At different stages during the production process, there must be certification by responsible officers of managerial level
- (c) The processes of microfilming the supporting documents, producing the microforms, and disposing of the source documents must be a part of the normal business activities.
- (d) There must be provisions for fast, easy and accurate reproduction of the documents when required.
- (e) A programme for periodic review of the microforms kept should be in place to ensure that no information is lost due to media deterioration. Where necessary a formalised programme for renewal of microimages may be required.
- (f) There must be ample protection against duplication or loss of the microimages.
- (g) There must be sufficient records of all major and exceptional activities.
- (h) There must be sufficient documentation of the different parts of the system in use
- (i) The original paper documents must be kept for at least 2 years after the filing of their income tax return.

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### 4 Controls and Requirements

The controls and requirements described hereafter elaborate the criteria listed in paragraph 5 and they must be adhered to.

#### 4.1 Physical condition of the microforms

The physical condition of the microforms, once produced, should not deteriorate during the required period of retention. Only microfilms or microfiches are acceptable to IRAS.

- (a) The microfilms/microfiches produced must have a life expectancy of not less than the required period of retention for records.
- (b) The density and resolution for the negative microfilms must be sufficient to give good and accurate copies of the source documents when they are projected on a reader or printed out.
- (c) Manufacturers' specifications and industry standards for the type of microforms employed should be observed in the production and storage of the microforms.
- (d) The quality check immediately after production should give a reasonable assurance that the images produced are good and accurate copies of the originals.
- (e) There should be another similar quality check done two weeks after the production to ensure that the microforms have not deteriorated as a result of poor production methods.

#### 4.2 Certification of activities

At different stages during the production process, there must be certification by responsible officers of managerial level.

Certificates showing sufficient biographical details should be issued by persons or staff of managerial level for each of the following processes and retained as part of the business records:

- (a) Proper identification of the source documents for filming;
- (b) Proper identification of the source documents for disposal;
- (c) Matching of the microfilms/microforms produced to the original source documents;

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- (d) Checks to confirm that the microimages produced meet industry standards, and
- (e) Checks to confirm that the physical conditions of the microimages have not deteriorated (since the last periodic check).

### 5 The Processes

The processes of microfilming the supporting documents, producing the microforms, and disposing of the source documents must be a part of the normal business activities.

- (a) The whole programme of microfilming and controlling the microforms and source documents should be authorised in writing by taxpayers. This authorisation shall include confirmation that the programme will form a part of the usual and ordinary course of business of the organisation.
- (b) The processes must be conducted by designated staff based on defined or fixed schedules.
- (c) There should not be any provision or facilities available to enable the committed microimages to be enhanced, update or deleted.
- (d) It is preferred that there is no provision for storing the scanned-in images onto intermediate storage medium before they are committed to the microforms. If there is such a provision then there should be controls to ensure that poor quality images are rejected and rescanned, and facilities for enhancing or edition the images are disabled.

### 6 Physical Access and Viewing/Retrieval of Information

There must be provisions for fast, easy and accurate reproduction of the documents when required.

- (a) There should be a good indexing and filing system to enable the correct roll of microfilm or microfiche to be identified and located quickly.
- (b) To illustrate, a detailed index of all microform records must be maintained and arranged in a manner that permits the immediate location of any particular record. The keys for such indices should include the type of document; the date of the transaction, invoice/bill/document number or identification and identification of the microform containing the microimages.

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- (c) The indices should be protected from updates by unauthorised staff.
- (d) The microforms and the facilities for viewing of the microimages and the producing of the paper copies must be maintained in working condition and be made readily available to IRAS' officers on request.
- (e) Physical access to the microforms should be restricted to authorised staff, and provisions made for expeditious return of such articles to their original storage positions once they are no longer required.
- (f) Equipment for projecting the images onto screens or printing out copies should be maintained in ready working conditions at all time. They should be capable of producing true and readable copies of the original documents.
- (g) As the images are intended to replace the source documents, taxpayer should have a practice of viewing the information from microimages whenever such information is required.

### **7 Preventing Loss through Media Deterioration**

A programme for periodic review of the microforms kept should be in place to ensure that no information is lost due to media deterioration. Where necessary a formalised programme for renewal of microimages may be required.

- (a) Annual checks to spot deterioration in the physical condition of the microforms should be scheduled by the management.
- (b) There should be established procedures to recreate the microforms should any checks reveal the need to do so, and to make corrective adjustments to the production processes or the physical conditions that contribute to the deterioration.

### **8 Prevention against duplication or loss of microimages**

There must be ample protection against duplication or loss of the microimages.

- (a) There must be procedures to immediately destroy rejected microfilms and microfiches and to identify the corresponding source documents for retaking of the microimages.
- (b) Source documents, which have been filmed/scanned, should be separated from those, which have not.
- (c) Filing and filming of the source documents should be done by type and in chronological order to facilitate sequential retrieval and checking by IRAS officers.

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- (d) There should be set schedules and controls over the destruction or disposal of documents, which have been filmed and kept beyond the necessary retention period. For this purpose, a log stating the dates of destruction or disposal and other details that identify the documents should be kept.

### 9 Audit Trail

There must be sufficient records of all major and exceptional activities.

- (a) All certificates issued for the processes should be retained for as long as the retention period required of the information on the source documents.
- (b) Records carrying sufficient information to describe exceptional/additional activities should be kept and retained for as long as the retention period required of the information on the source documents.

### 10 Documentation

There must be sufficient documentation of the different parts of the system in use.

The following documentation should be maintained:

- (a) Description of the processes, details of controls implemented and instructions to staff responsible for such processes.
- (b) Manufacturer's specifications and details of industry standards adopted.
- (c) Minutes/letters of authorisation issued by persons made responsible for the processes.
- (d) Schedules/rosters for carrying out the processes.
- (e) Details of changes and reasons for the changes made to the system in chronological order.

All established procedures must be properly documented. Any changes to the procedures should be updated immediately

### 11 Retention of original paper documents

The original paper documents must be kept for at least 2 years after the filing of taxpayers' income tax return. For example:

Income Tax Return for the Year of Assessment 2004 is submitted in April 2004. The original accounting records for the year 2003 will have to be retained up to April 2006

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### 12 Microimages/Filming

- (a) All microimages produced must be true copies of the original documents.
- (b) There must be sufficient controls to ensure that all documents that are to be filmed are properly and completely filmed.
- (c) There should be records showing the dates of filming and type of documents filmed.
- (d) During the filming process no stickers, tags or detachable notes should be pasted onto the documents.
- (e) There should be a quality check to ensure that good copies of the originals are produced.

### 13 Assurance of Archival Quality

There should be effective controls over the development and production of the original microimages and the storage of the microforms to assure their archival quality.

There should be appropriate measures to make sure that the information encoded is readable at all times. This includes systematic duplication of the microimages after a certain time lapse to prevent loss of information.

### 14 Monitoring of controls

Taxpayers must establish internal procedures for inspection and quality assurance. The controls must be monitored on an ongoing basis to ensure that the processes are functioning as intended.

### 15 Penalties for Non-Compliance

Failure to comply with the criteria set out in this guide may constitute an offence under section 67 of the Income Tax Act and/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.

### 16 Enquiries

For any enquiry or clarification on this Circular, please call us at 63513386.