

## Record Keeping For Property Businesses

### Why keep records?

- Keeping a record of the rents received will help you identify whether you have received all of the income that you are entitled to, whether directly from the tenant or from any letting agent that collects the rents on your behalf.
- Whilst there may be little joy in seeing how much has been spent, an accurate record of the expenses incurred in maintaining and letting a property will show you whether you are making a profit from the enterprise. It will also ensure that, when you submit your end of year accounts to HM Revenue & Customs (HMRC), you deduct all of the expenses incurred, which may reduce the amount of tax you pay.
- An accurate record of the expenses, supported by invoices and receipts, will also help you to defend your claim for the expenses if HMRC ever challenge them.
- When you come to sell the property, an accurate record of the costs incurred in purchasing it, and of any costs incurred in converting or improving the property, will help to make sure you claim all of the deductions you are entitled to claim in calculating the taxable gain (or allowable loss!) on the property.
- HMRC may levy a penalty of up to £3,000 per year of assessment if a taxpayer fails to keep and retain records of their income.

### What records should be kept?


- Basic records may be little more than a list of the income and expenditure regardless of whether the business is run personally or through a limited company. The list could be kept manually or on a computer spreadsheet. Manual cashbooks are available from most stationers and there are also several computer-based accounting packages available. The method you choose for keeping your records will be influenced by the amount of time you wish to spend keeping records; the amount of detail you want to keep, and the size of your property business.
- If the business is run through a limited company, the company must have a bank account of its own. Although there is no similar requirement to have a separate bank account for a property business run in an individual's name, it may be easier to keep track of income and expenses (but watch the level of bank charges that may arise!)
- The list of income should show the date of receipt and the amount received. It may help to record the period the rent is for and, if more than one property is owned, who the rent is from. Deposits should be recorded separately. Where a separate bank account is maintained any

interest received on the bank account, and any money you pay into the bank account to meet expenses, should also be recorded.

- Whereas all income should be paid into a bank account, many expenses, especially smaller amounts, may be paid for in cash or using personal credit cards. Therefore, you may need to keep a separate record of these items distinct from expenses paid out of a designated property business bank account.
- Where a separate business bank account is kept, the list of expenses should record the date payments are made and who they are made to, including any money you withdraw from the account for your personal use. You should also note what the expense is for. If you have a receipt for the payment, you may find it easier to locate the receipt again if you give each payment a reference and write that reference on the receipt as well.
- For expenses paid in other ways, or where no separate bank account is kept, every payment made in relation to the business should record the same details of date, payee and reason.
- Business records should be kept safe, even after annual accounts have been prepared. The length of time some records should be kept is specified by Statute and a list of these items is available on our 'Records Retention Checklist' factsheet.

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