TANZANIA REVENUE AUTHORITY

ISO 9001:2008 CERTIFIED

THE INCOME TAX ACT, CAP.332

PRACTICE NOTE

KEEPING SUFFICIENT RECORDS

(ENTITIES)

PRACTICE NOTE NO. 07/2013.
DATE OF ISSUE 1ST NOVEMBER, 2013

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1.0 TAX LAW

This Practice Note applies in respect of Section 80 of the Act on maintenance of documentation.

2.0 INTERPRETATION

2.1 In this Practice Note, unless context requires otherwise-

'Act' means the Income Tax Act, Cap. 332.

"operations" include an activity, which consists of: -

(i) the conducting of a business;
(ii) the conducting of investment,
(iii) both the conducting of a business and investment; or
(iv) conducting investment prior to the commencement of conducting of a business or the cessation of a business.

"persons responsible" include the manager or other principal officer resident in the United Republic, the directors, the secretary and any person (however styled) exercising the functions of any of her persons mentioned earlier.

" records" include:

(i) books of accounts recording receipts and payments or income and expenditure;
(ii) invoices, vouchers, EFD receipts, Z – Reports, claims, note, orders and such other documents as are necessary to verify the entries in any books of accounts; and
(iii) any electronic document; and

(iv) any other records as may be prescribed by the Commissioner

2.2 Definitions and expressions used in this Note, which are used in the Act, have, unless the context requires otherwise the same meaning in this Practice Note as they have in the Act.

3.0 THE PURPOSE OF THIS PRACTICE NOTE

Section 80 of the Act demands that unless authorised otherwise by the Commissioner every person liable to tax under the Act shall maintain in the United Republic such documents:

(a) as necessary to explain information to be provided in a return or in any other document filed with the Commissioner;

(b) as necessary to enable an accurate determination of the tax payable by the person.

(c) as may be prescribed by the Commissioner.

This Practice Note considers:

3.1 What constitutes sufficient records that an entity needs to keep; and

3.2 Records and books of accounts and records maintained in electronic form

3.3 Place for keeping records

3.4 Period for retaining records

3.5 Records be kept in official language

3.6 The consequences of failure to keep sufficient records.

4.0 HOW THE TAX LAW APPLIES

4.1 An entity is required under the Act to keep and retain in safe custody in the United Republic sufficient records as are necessary to explain information to be provided in a return and enable an accurate determination of the tax payable amount of the entity.

4.2 This Practice Note gives general guidelines on the records that are to be retained for the purpose of income tax.

4.3 Records and books of accounts

4.3.1 General requirements

Unless otherwise authorised by the Commissioner by a written notice, every person liable to income tax shall maintain in the United Republic documents that are necessary to explain information to be provided in a return, documents necessary to enable an accurate determination of the tax payable by the person or any other document to be filed with the Commissioner. However

Commissioner may, by service of a notice in writing require any person, whether liable to tax or not, to retain documents described with reasonable certainty in the notice. An entity must keep records including a cashbook, a sales ledger, a purchases ledger and a general ledger. The type of books of accounts that should be kept will depend on the nature and the size of the business or operations. The following requirements should be complied with:

A. The books of account should be written up at regular intervals. Appropriate entries for each transaction should be recorded as soon as possible (in any case not later than 30 days after the transaction).

B. Supporting documents such as invoices, bank statements, pay-in slips, cheque stubs, Z-Reports, receipts for payments, payroll records and copies of receipts issued should be retained.

C. Where any person receives a payment of an amount of five thousand shillings or more from the sale of goods or performance of service other than as an employee, the person shall issue a fiscal receipt or fiscal invoice by using electronic fiscal device to the person making the payment. Any person who is exempted from acquiring and using electronic fiscal device shall issue a manual receipt. A valuation of the stock in trade or work in progress should be made at the end of each accounting period and the appropriate records maintained.

4.3.2 Sufficiency of records:

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

4.3.3 Original documents for records maintained in electronic form:

If computers are used to record the transactions, original source documents such as invoices and receipts should be retained in their original form. Where the original documents are in electronic form, the documents can be retained in such form. However, the records should be kept in an electronically readable form and in such manner as to enable the records to be readily accessible and convertible into writing.

4.3.4 Place for keeping records

Records that relate to any business or operations conducted in the United Republic must be kept at the registered office or the business premises of the entity in the United Republic. If records for operations outside the United Republic which are subject to income taxation in Tanzania are kept outside the United Republic, the records should be produced at the registered office or the business premises in the United Republic, when requested by the Commissioner.

4.3.5 Period for keeping records

A. Except where subparagraph B or C below applies, records are to be retained for at least 5 years from the end of the year to which any income from the business or operations relates. However, where:

    (i) a person makes an objection or appeal, all documents relevant to the matter in dispute shall be retained until the matter is finally determined.

    (ii) a person makes an application to the Commissioner, all documents relevant to the application shall be retained until the application is finally concluded;

    (iii) a person seeks a refund of tax, all documents relevant to calculation shall be retained until the refund is made; and

    (iv) a person has received notice of an investigation by the Commissioner, all documents relevant to the investigation shall be retained until the Commissioner notifies the person in writing that the investigation is finalised.

Illustration 1.

If the year of income of an entity is the period ending 30.06. 2012

The records of the entity for the year ending 30.06. 2012, should be retained until 31.12. 2017 [i.e. 5 years from the end of 2012 -the year to which the records relate)].

B. If the return for a year of income is not furnished within the time specified under the Act, the relevant records are to be retained for a period of 5 years from the end of the year in which the return is furnished.

Illustration 2

If the year of income of an entity is the year ending 31.03. 2012 and the entity fails to furnish its return for the Y/I 2012 by 30.09. 2012 as required under the Act. However, the return is furnished late on 23.05. 2013.

The records of the company for the financial year ending 31.03. 2012 should be retained until 31.03. 2018 [i.e. 5 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)].

C. The Commissioner may, by service of written notice require a person, whether or not liable for tax under the Act to retain documents described with reasonable certainty in the notice for such a period as may be specified in the notice.

4.4 Records to be kept in the official language

Records should be written in the official language, English language. If the records are written in a language other than the official language, a written translation is to be provided, at the expense of the entity when requested by the Commissioner.

4.5 Submission to the Commissioner the electronic document.

An electronic document shall be considered filed by the person and received by the Commissioner when a document registration number is created using the person's authentication code.

4.6 The consequences of failure to keep sufficient records.

The consequences on an entity or the responsible person where sufficient records are not kept are:

(i) The income of the entity may be adjusted according to the best judgement of the Commissioner based on information reasonably available and an adjusted assessment made accordingly.

(ii) The entity or the person responsible may be prosecuted and, on conviction, shall be liable to a penalty of not less than one hundred thousand shillings and not more than two million shillings or imprisonment for a term of not more than two years or both such fine and imprisonment. The Commissioner is empowered under the Act to compound the offence and order the person to pay the sum of money specified but not exceeding the amount of the fine prescribed for the offence.

5.0 REVOCATION

Pursuant to the provisions of Section 130(2) of the Act the Practice Note No. 09/2004 issued on 15th December, 2004 is hereby revoked.

Signed...................
Commissioner
1st November, 2013