

**SMALL
BUSINESS TAX**





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Disclaimer

The information presented is intended to be a guide to assist individuals who undertake small and micro business on the requirements to keep suitable business records in everyday business management.

Small and Micro businesses are encouraged to seek further professional assistance for particular tax issues as appropriate.

**SBT RECORD KEEPING GUIDE
INTRODUCTION**

The government has introduced a new income tax system specifically for small business. It is called the Small Business Tax (SBT) and it is an alternative, simpler income tax than the general income tax which applies to all businesses. For further information on the SBT system, you should refer to the guide “A Guide to Small Business” <https://irc.gov.pg/small-business-tax-sbt/>. One of the benefits of SBT is the reduction in the requirement by small business to keep business and accounting records for tax purposes. This guide explains the records that you are required to keep for your small business for you to meet your obligations under SBT.

The minimum standards for SBT record-keeping are not intended to be taken as a requirement to keep only those records mentioned.

Small business is encouraged to keep more extensive business and accounting records so that it is better able to manage its financial affairs and improve its profitability and ability to grow. In addition, keeping proper records may assist you in accessing loan and credit facilities with financial institutions.

MINIMUM RECORDS REQUIRED TO BE KEPT

SBT requires that, as a minimum, the following records must be kept:

- a) Sales made by the business (cash and credit); and,
- b) Payments made to employees (if the business has employees)

A simple and easy way to comply with your record-keeping obligations is to follow these examples:

Sales

Example of a sales register

Date	Cash Sales (K)	Credit Sales (K)	Total sales (K)	Remarks
16.4.21	300.00	100.00	400.00	Sale of second hand clothes
17.4.21	100.00	0	100.00	Sale of cigarettes
Total	400.00	100.00	500.00	

Wages

Example of a wage register

Date	Employee	Pay Period	Gross Salary(K)	Tax Deducted	Net Paid(K)	Signature of Employee
16.4.21	Konio Elly	23.4.21	250.00	0	250.00	
17.4.21	Sharon Enos	23.4.21	250.00	0	250.00	
Total:			500.00	0	500.00	

Cash book

A cash book can also be used to record all cash and bank transactions i.e. both sales and expenditure including wages.

Example of cash book

Business/Sole Trader: ABC Taxi Service

Period: 1 January to 31 January 2021

Receipt	Date	Income (K)	Expenditure (K)	Description	Balance (K)
				Opening bal	1,000.00
Rec#1		200.00		Taxi fare	1,200.00
Rec#2		350.00		Taxi fare	1,550.00
Pur#005			250.00	Wages for Amos	1,300.00
Rec#3	04.01.2021	300.00		Taxi fare	1,600.00
Pur#006	05.01.2021		100.00	Fuel	1,500.00
Pur#007	06.01.2021		50.00	Tyre repair	1,450.00

You should ensure that you record transactions in your business records at the time of the transaction or as soon as possible afterwards.

Bank account

It is a legal requirement to maintain a bank account for business purposes unless exempted by the Commissioner General of the Internal Revenue Commission. For that bank account, you should keep bank statements (in either paper or electronic format) or have internet online access to the history of your bank account's transactions for the required periods. You should confirm with your bank whether you can access bank account transaction history for the required timeframe of three (3) years plus the relevant tax period.

FORM OF RECORDS

Records may be kept in either of the following forms:

1. Paper document
 - a. Exercise/Notebook to keep a record of daily sales summary;
 - b. Wages book to keep a record of employee wages payments
2. Electronic document
 - a. A Computer-generated spreadsheet to keep record of daily sales summary and employee wages payments, etc.
3. All forms of records must be kept in the English language.

HOW LONG DO RECORDS NEED TO BE KEPT?

It is required under the law to keep the minimum records specified for at least three (3) years after the end of the tax period that the records relate to. The tax period will be either one (1) year for a small business or three (3) months for a micro-business.

Example 1: Albert operates a small business with a turnover of between K60,000 and K250,000 per annum and has recorded the sales of his business for the 12-months of 1 January 2021 to 30 December 2021. Albert is required to keep these records until 30 December 2024 which is 3 years after the end of the 12-month tax period for small business.

Example 2: Emily operates a micro business with an annual turnover of less than K60,000 per annum and has recorded the sales of her business for the 3-month period of 1 April 2021 to 30 June 2021. Emily is required to keep these records until 30 June 2024 which is 3 years after the end of the 3-month tax period for micro business.

NON – COMPLIANCE WITH RECORD KEEPING REQUIREMENTS

It is your responsibility as an SBT taxpayer to be compliant with your taxation obligations in order to avoid penalties.

When officers of the Internal Revenue Commission undertake an inspection or audit of your records and find that you have not followed the law in keeping records as required, penalties may be imposed.

ACCESS TO RECORDS BY INTERNAL REVENUE COMMISSION OFFICERS

Officers of the Internal Revenue Commission (IRC) are allowed to have access to your records, bank information, property, etc. with or without notification as allowed under the Income Tax Law. They may further request that you provide your records to any of its IRC offices and may also request access to your records at your place of business.

For instance, the IRC officers will be engaged to carry out audit activities, inspections, spot checks or any form of compliance activities that the government may direct. You will be required by law to provide records, information etc. that will enable the IRC officers to confirm whether you complying with the law and paying your fair share of tax correctly or not.

RECORD KEEPING IMPLICATIONS TRANSITIONING FROM SBT TO GENERAL INCOME TAX

While SBT taxpayers are required to keep as a minimum the records stated in this guide, you should keep and maintain proper records of the income and expenditure of your business.

According to the income tax law, "records" includes books of account (whether manual, mechanical, or electronic format) recording receipts of payments of income or expenditure and also includes vouchers, bank statements, invoices, tax invoices, credit notes, debit notes, receipts, and such other documents necessary to verify the entries in such books of account.

These records are required to be maintained and to monitor the progress of your business where in the event that your business grows and your annual turnover exceeds K250, 000, you no longer qualify for the SBT system and can elect to opt out of the SBT system. Full business and accounting records are a requirement of the general income tax system.

Authorised on May 2021 by;

Mr Sam Koim, OBE

Commissioner General



INTERNAL REVENUE COMMISSION

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*A simple tax regime for
Small Business*

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