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## Operating out of a shoebox

in Money by Nigel Bowen

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Keeping the paperwork in order is one of the fundamental responsibilities of a business owner. While you can be sure that a supplier will quickly re-invoice if their bill mysteriously disappears, the Australian Tax Office isn't going to take you at your word. Especially if you inform them you've spent \$15,000 on petrol this financial year, but only have a couple of service station receipts you found under your car seat to prove it.

So surely even the most inexperienced business owners would be sticklers for timely and accurate record keeping, right?

Galaxy research conducted a recent survey on behalf of American Express of more than 1,000 Australian small business owners (that is, companies turning over less than \$2 million a year) and discovered 29 per cent keep their receipts in a shoebox. Even worse, receipts often don't even make it into the shoebox – 40 per cent of businesses admitted to losing petrol receipts, 32 per cent to losing stationery receipts and 23 per cent to losing receipts for food and beverage expenses.

The survey discovered several ideas that perhaps go some way to explaining small business owners' curiously laid-back approach to record keeping:

- 46 per cent believe they can claim up to \$300 of tax deductions without any receipts.
- 51 per cent of young entrepreneurs (aged 18-34) think it is their accountant's responsibility, not theirs, if errors are discovered on a tax return.
- 9 per cent of small business owners think they're too small to be audited. The figure jumps to 18 percent for those turning over less than \$50,000.

These beliefs are wrong – very wrong – and even have the potential to end businesses.

The survey also revealed a surprising level of confusion among small business owners about what they can and can't claim, meaning many are presumably wasting time filing receipts that are of no use to them while failing to hold on to receipts that could result in receiving thousand of dollars back from the taxman.

Given the complexity of Australia's tax system, it's not surprising that small business owners are confused about what receipts they need to keep track of and that many fail to pay much attention to properly organising their receipts at all. Nevertheless, few small businesses are travelling so well they can afford to either forfeit thousands of dollars in potential tax deductions or risk an audit that could result in steep fines being levied when claimed expenses can't be properly substantiated.

There is plenty of small business tax advice out there – check out [tax apps that make business life easier](#) and ways to get [tax savvy](#). Also, be sure to talk to your accountant about exactly what sort of records and receipts your particular business needs to be keeping. After you've established that, work out a system – be it sophisticated accounting software, logging expenses electronically when they occur or simply putting everything on a business credit card and keeping the statements – that will let your accountant do their job properly and ensure your business isn't paying any more or less tax than it needs to be.

### Source :

Galaxy Research, May 2013 – Conducted online among a representative sample of 1,003 small business owners with an annual turnover of up to \$2 million.

*This article represents the views of the author only and not those of American Express.*

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