

Digital Accounting

How do you keep your company's financial records?

During a tax year, you're likely to create a large amount of data, such as supplier receipts, customer invoices, bank, credit, and debit card transactions, VAT and tax returns, payroll, and accounting records.

What you need to keep - and for how long - is determined by the state of your business. Here's a basic rundown of the existing regulations:



Self-employed individuals

Financial records must be kept for at least five years beyond the next tax filing date. If you're preparing your return for the tax year 2021/22, you'll need to maintain your documents for five years beyond the filing deadline of January 31, 2023. As a result, the earliest you may reasonably dispose of these documents is February 1st, 2028.

Limited companies

If you run your firm as a limited company, you must retain records for at least six complete fiscal years, as well as the current year.

Assume, like many organisations, you have a March fiscal year end and are now in fiscal year 2020-21. If your current fiscal year begins on April 1, 2020, you must preserve records for this time until at least April 1, 2027.

VAT Records

If your company is VAT registered, you must preserve records for at least six years. Companies that have registered for the VAT MOSS system (which only applies to specific types of firms that trade in Europe) are required to preserve their VAT records for 10 years.

Your company is obligated by law to keep records securely for these time periods in case HMRC decides to investigate your affairs further.

It might be a massive amount of data. Even a medium-sized corporation with a reasonable volume of transactions generates a large amount of data that must be stored. The obvious option is to digitise your records. You merely need to be able to provide documentation of your transactions, therefore you don't need to save original invoices, receipts, and so on.

Although technology makes digitising data straightforward and inexpensive, some company owners are hesitant to abandon their paper records.

Reasons to go digital

Save space

Where are your hard copy records now stored if you maintain them? They might be in file cabinets at your workplace, or at home in your garage, spare bedroom, garden shed, or under the stair's storage. You may even be charged for off-site storage. Wouldn't you like to put your space - and your money - to better use, wherever you keep your paper records?

Your documents will take up no space if they are stored as digital files or in the cloud.

More Secure

Paper may deteriorate over time depending on how and where it is stored. A wide range of risks, including fire, flood, and vermin, can cause harm or even destruction to your hard copy documents.

Once they're gone, they're gone for good.

Digital records, on the other hand, may be readily backed up and kept in various locations, whilst cloud records are safe and can be accessed at any time and from any location.

Save time & reduce your workload

Many technological solutions automate processes and store data online or in the cloud, providing the benefits of digital record-keeping while saving time and lowering strain.

Accounting software systems like as Xero will automatically produce and send invoices as PDFs, in addition to a slew of other features.

Dext, for example, allows you to take and upload photographs of receipts and automatically process electronic invoices, categorising and inserting them into your accounts for digital sign-off.

We've saved several hours of admin and manual processing since using Dext.

Save money

Using automated solutions, such as those outlined above, will save you (and your bookkeeper) time, and hence money. However, there are further savings. Scanning receipts into your accounts as you get them ensures that no expenditure is logged, reducing your tax burden, and keeping you out of pocket. You'll also probably save a lot of money on storage, paper, and printing.

Save the planet

Going paperless will help your company's carbon impact. It will show consumers and employees that you take your corporate social responsibility seriously and will position you as a caring, environmentally conscious organisation.

Improve the accuracy of information

Algorithms are vastly superior to humans in performing tedious, repetitive activities. Tech solutions will swiftly figure out where to allocate income and expenses on your accounting system. They'll do it faster and more precisely than you can, and then digitally save the record for you to retrieve anytime you need it.

The advantages of transitioning from paper to digital record-keeping are cumulative. The more paperwork your company generates and processes, the more time, money, and effort you will save when you make the switch.