



Digital vs paper receipts

A guide to the HMRC policy on receipts

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The mission

Allocate set out on a mission along with the CIPP to seek clarity for finance professionals over the online vs. paper receipts debate. Is it true that companies no longer need to keep paper receipts? What is the official HMRC policy on storage and replication of receipts and how is it relevant to you and your organisation?

There is lots of guidance in respect to other taxation areas, but none was specific to the payroll industry and employee expenses. What is the difference between necessary records for reclaiming input tax, PAYE tax and National Insurance contributions (NICs) and how long must they be kept for?

There is a lot of confusion around HMRC's use of the word "original" and does this mean that an original receipt needs to be available (i.e. one from the shop not a hand made one) or does it simply mean an original paper copy needs to be available to HMRC?

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“We’ve eradicated all paper receipts and now employees submit their claims online using the Selenity Expenses solution. It allows them to photograph and upload their receipts which are then submitted to the Expedite team who review and validate each claim.”

*Johnathon Armstrong,
Systems Accounting Manager,
Spire Healthcare*

The guidance

What does current guidance say?

Guidance can be found in a number of different places and can often be confusing.

“The VAT invoices you receive are the primary evidence for you to recover VAT you have incurred as input tax and you should make sure you keep them in a way that allows you to find them easily when requested.”

“If you receive paper invoices, you can choose to store them as scanned images on a computer system. You’ll have to meet the same requirements for storing them as you would for electronic invoices.”

“Storing electronic invoices: You need to store your invoice data securely in a way that allows you to keep all original invoice data.”

And more loosely for PAYE tax and National Insurance contributions, it stipulates “where possible retain receipts from the employee to confirm the costs you’re reimbursing.”

Good business practice dictates you should not be approving expenses without seeing a receipt. It leaves a business open to fraudulent expenses claims, and could run the risk of expenses being considered “not for business purpose” which can be subject to additional tax and National Insurance contributions.

The answer

So can we discard our employee expenses' receipts?

Yes!

After many months of investigation and clarification with HMRC we can now confidently state:

HMRC will not, as per their own guidance, require paper as a back-up to electronically stored copies. Using an electronic expenses system to manage staff receipts for expenses such as mileage and subsistence is now recognised by HMRC as standard practice.

The basic rule is that a company must create and retain normal business records, but these records do not have to be kept in a set, i.e./ hard copy way. Most bookkeeping and computer systems will meet the requirement providing that they contain all the necessary requirements for your invoices to be valid VAT invoices (if applicable).

However [notwithstanding CH13300] records can be kept electronically as suggested so long as the method of storage is capable of capturing the information accurately.

'It's very easy for them to take a picture of the receipt on their phone, update the claim and submit it there and then. We found that with the previous paper process, some receipts were being lost and claims bundled together.'

References

HMRC VAT Written Enquiries Office:

- CH13100 - Record Keeping
www.hmrc.gov.uk/manuals/chmanual/CH13100.htm
- CH13300 - Record Keeping: How records may be preserved:
Original documents that must be kept
www.hmrc.gov.uk/manuals/chmanual/CH13300.htm
- CH13200 - Record Keeping: How records may be preserved:
Conditions and exceptions
www.hmrc.gov.uk/manuals/chmanual/CH13200.htm
- CH12400 - Record Keeping: What records must be kept:
VAT: Special schemes
www.hmrc.gov.uk/manuals/chmanual/CH12400.htm
- CH13400 - Record Keeping: How records may be preserved:
Computer records
www.hmrc.gov.uk/manuals/chmanual/CH13400.htm

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