

**Information Leaflet**



**ADMISSIBILITY OF  
BUSINESS RECORDS KEPT IN ELECTRONIC  
FORM FOR TAX PURPOSES**

Inland Revenue Department,  
Hong Kong Special Administrative Region

## Forward

Following the implementation of the Electronic Transactions Ordinance (the ETO) in April 2000, there have been enquiries made to the Inland Revenue Department (the IRD) as regards the admissibility for tax purposes of business records kept in various electronic forms. This note aims to clear some of the doubts of the taxpayers on the issue.

## Requirements of Retention of Business Records

2. Section 51C of the Inland Revenue Ordinance (the IRO) requires every person carrying on a trade, business or profession in Hong Kong to keep sufficient records in the English or Chinese language of his income and expenditure to enable the assessable profits of his trade, business or profession to be readily ascertained. Such records have to be retained for a period of 7 years after the completion of the transactions to which the records relate. As regards the nature of the records to be kept, the information pamphlet: [A Guide to Keeping Business Records](#) (the Guide) issued by the IRD has a detailed discussion.

## Are Electronic Records Admissible?

3. It is expressly stated in the Guide that keeping business records by using a computer is acceptable. However, the Guide says that the original source documents such as cheque butts, invoices, bank deposit slips and bank statements must still be kept to substantiate the income and expenditure of a taxpayer.

4. In this regard, some taxpayers, particularly those who have to keep a huge volume of source documents, have raised enquiries to the IRD on whether it is permissible for them to store their source documents in an alternate form, such as by scanning the documents and storing them in CD-Roms. To clear the doubt of taxpayers, we wish to confirm that keeping images of the original documents in CD-Roms are acceptable as an alternative to the keeping of the original documents themselves.

5. Section 8 of the ETO provides that where a rule of law requires certain information to be retained, whether in writing or otherwise, the requirement is satisfied by retaining electronic records, if-

- (a) the information contained in the electronic record remains accessible so as to be usable for subsequent reference;
- (b) the relevant electronic record is retained in the format in which it was originally generated, sent or received, or in a format which can be demonstrated to present accurately the information originally generated, sent or received; and

- (c) the information which enables the identification of the original destination of the electronic record and the date and time when it was sent or received, is retained.

6. Books of account and source documents kept in the electronic form are acceptable to the IRD provided that the requirements set out in paragraph 5 above are satisfied. As a practical guide, the IRD recommends that the following arrangements should be in place for retaining electronic records of source documents:

- (a) there should be a reliable assurance as to the integrity of the information in the document from the time when the electronic record of the document was generated. In other words, the information should remain complete and unaltered, apart from the addition of any endorsement or any change which arises in the normal course of communication, storage or display. In general, proper scanning of the documents and storage in CD-Roms will achieve this result;
- (b) the information in the electronic record of the document should be capable of being displayed in a legible form;
- (c) the electronic record is stored in one of the graphic file formats specified under the ETO. Currently, the acceptable formats are-
  - (i) Encapsulated PostScript Files (EPSF);
  - (ii) Tag Image File Format (TIFF);
  - (iii) Windows BitMaps (BMP);
  - (iv) Graphic Interchange File Format (GIF); or
  - (v) Joint Photographic Experts Group (JPEG).

This is to ensure that the records so stored are capable to be displayed for examination by the IRD; and

- (d) the scanning and production of electronic records from original documents, the storage of electronic records and the disposal of original documents are undertaken or supervised by a responsible person in the taxpayer's organization. This is to ensure that all the original documents have been properly scanned and turned into electronic form before they are disposed of, and that the electronic records so generated are kept under proper custody.

7. Where the source document is in the electronic form when it is created, it is already an electronic record. It needs not be transformed into paper form for scanning into a CD-Rom. Rather it may be stored in the CD-Rom directly.

## **Is Application Required?**

8. It is not necessary for a taxpayer to apply to the IRD before he proceeds to convert his business records into electronic records provided that the arrangements referred to above are followed.

## **Further Information**

9. Further information on all aspects of your record keeping requirements under the IRO can be obtained from the IRD by telephoning 2594 5400 or writing to G.P.O. Box 11234, Hong Kong.

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*[The contents of this leaflet are for guidance only]*

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