



PS LA 2008/14 - Record keeping when using commercial off the shelf software

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This Law Administration Practice Statement provides guidance on what record keeping will be acceptable for taxpayers using commercial off the shelf software packages.

This practice statement is an internal ATO document, and is an instruction to ATO staff.

Taxpayers can rely on this practice statement to provide them with protection from interest and penalties in the following way. If a statement turns out to be incorrect and taxpayers underpay their tax as a result, they will not have to pay a penalty. Nor will they have to pay interest on the underpayment provided they reasonably relied on this practice statement in good faith. However, even if they don't have to pay a penalty or interest, taxpayers will have to pay the correct amount of tax provided the time limits under the law allow it.

1. What is this practice statement about?

The requirements for electronic record keeping are set out in Taxation Ruling TR 2005/9 *Income tax: record keeping – electronic records*. This ruling states, among other things, that to meet the record keeping requirements stipulated in the tax law,¹ taxpayers should have an understanding of their computer system, retain system documents and document the electronic records system.

Taxpayers using commercial off the shelf software for things like inventory and payroll will not be able to satisfy these requirements.

The purpose of this practice statement is to set out what we will accept as sufficient record keeping where taxpayers use commercial off the shelf software packages.

2. What is a commercial off the shelf software package?

For the purpose of this practice statement commercial off the shelf software packages typically have at least three of the following attributes:

- They are designed to be used by individuals with limited information technology training.
- They cost less than \$2,000 per licence (excluding additional users' fees).
- They are software packages designed for general business use or use by particular industries or types of business, rather than a specific business.
- The licensee agrees to specific conditions in relation to the use of the software.

3. What will we accept as sufficient record keeping?

You can accept that taxpayers using commercial off the shelf software packages are maintaining satisfactory electronic records so long as:

- the software name and version is recorded
- a record is made of the components of the software package that have been installed and the date of installation
- a chronological record is kept of all system changes or upgrades
- a record is made of the options that have been enabled or disabled, and
- any manuals or instructions provided with the software package are kept.

4. More information

For more information, see:

- [TR 2005/9](#) *Income tax: record keeping – electronic records*

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Business line	PGH

¹ Subsections 262A(1), (3) and (4) of the *Income Tax Assessment Act 1936*.

Amendment history

Date of amendment	Part	Comment
17 December 2015	All	Updated to new LAPS format and style.
18 June 2013	Generally	Updated to current corporate publication style.
	Section 5, paragraph 1	Update meaning of electronic records.
	Section 4	Expand subparagraph 8(b) to include 'per licence (excluding additional users' fees)'.
	Preamble	Updated

References

Legislative references	ITAA 1936 ITAA 1936 262A(1) ITAA 1936 262A(3) ITAA 1936 262A(4)
File references	07/15900
Related public rulings	TR 2005/9
ATOlaw topic	Income tax ~~ Deductions ~~ Substantiation and record keeping

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