



**Information about digitalization and GoBD:
(data retention policies)**

What entrepreneurs should consider

editorial office

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1 Introduction: That's what it's all about

Electronic invoices, electronic document collection, electronic further processing of tax-relevant files: In the course of digitalization, companies have to adhere to strict accounting rules vis-à-vis the tax office. Otherwise, the tax authorities may discard all records during the next audit, with the possible result that the company's income and expenses are estimated. "As a rule, this automatically leads to high tax arrears because the tax office tends to set the profit higher. Formal bookkeeping deficiencies are therefore expensive," warns Anne Thätner, tax consultant at the Ecovis group of law firms.

Since 2015, the requirements to be fulfilled by company bosses have been defined by the principles for the proper keeping and retention of books, records and records in electronic form as well as for data access - in short, the GoBD. "The rules already in force were summarised in this letter and adapted to the use of modern information technologies," explains Anne Thätner, tax consultant at Ecovis. Small and medium-sized enterprises have to consider them as well as large enterprises, revenue surplus calculators as well as accountants. The GoBD were written by the Federal Ministry of Finance in Germany (**IV A 4 - S 0316/13/10003**). "Even in smaller companies, it is increasingly being checked that they are adhered to," says Thätner.

The GoBDs are relevant for all companies in Germany, associations or self-employed persons, as long as they perform the accounting and recording duties using modern information and communication technology. This means that companies that archive documents that must be kept in electronic form must keep their accounts in accordance with these principles. **TeamDrive Systems has therefore developed an archiving solution that conforms to the GoBD.**

The implemented data retention controls in TeamDrive, can also be used to conform many other international requirements, regulations and policies.

In the following entrepreneurs and income surplus calculators find an outline of the most important rules of the GoBD, in particular in relation to the requirements for the so-called revision-safe archiving. What is meant by this is that documents have to be filed in the sense of the tax office again findable, comprehensible, unchangeable and tamper-proof.

2 What does the GoBD demand from companies?

This is a very complex topic: The AWV, the Arbeitsgemeinschaft für wirtschaftliche Verwaltung e.V. (Association for Economic Administration), has created a "Practice Guide for Companies" in addition to the awv-praxisleitfaden zur GoBD (version 1.0, <https://www.awv-net.de/fachergebnisse/themenfokus/gobd/gobd.html>). The volume of the work is almost 200 pages. The guide is not static. Rather, the experts are constantly updating the guide. "It's not about the GoBD as such. These have remained unchanged in recent years. They are strictly interpreted by the tax office and confirmed by the Federal Fiscal Court's judgments. Their scope of application will be legally approved", says Hubl. He advises numerous medium-sized entrepreneurs or self-employed persons. Hubl therefore knows: "Small and medium-sized companies in particular have a hard time doing everything right." In this respect, care and attention are required. In addition, **entrepreneurs, self-employed persons or associations can make their work much easier with the TeamDrive software.** The tax office essentially wants one thing: the tax-relevant business documents must be properly maintained and kept. The GoBDs specify what this means for the tax authorities in detail.

1. the accounts must be comprehensible and verifiable. The bookkeeping then puts expert third parties - such as the external auditor - in a position to obtain a comprehensive and complete overview of the economic and tax situation of the company and, accordingly, of the business transactions.

2. the accounts must be complete. "All transactions subject to accounting must be reflected in the accounts. No business transaction may be omitted, added to or presented in any other way than that in which it actually took place", is how the AWV - Arbeitsgemeinschaft für wirtschaftliche Verwaltung e.V. summarises a further principle in its "Practical Guide for Companies".

3. all information must be correct. From the first document to the preparation of the balance sheet and the profit and loss account, everything must be correctly recorded and mapped. The accounting documents the actual situation of the business. Nothing is represented better than it is. Nothing distorted to save taxes.

4. the supporting documents must be recorded in a timely manner. This refers to the viewing and securing of the documents by an orderly filing of the documents. In the case of non-cash transactions,

the voucher must be secured within ten days, in the case of credit transactions within eight days. In the case of cash payments, for example, income and expenditure must be recorded on a daily basis. Important: Document backup does not mean posting. If you have carefully set up your document backup, you can post at a later point in time. The tax office accepts it if business transactions are only booked periodically, i.e. approximately monthly. However, this must be done by the end of the following month.

5. the documents are in orderly form. The tax office expects that the business documents are not collected without a plan and stored somewhere on the hard disk or possibly in paper form in the shoe box. This is not trivial, because the tax office has clear ideas of order and adequate storage.

Tax-relevant documents, such as invoices that are received in paper form or sent by post, are best given a document number in the first step. In the second step, they can then be stapled into a folder and stored there. However, this hardly corresponds to a modern and contemporary solution. The tax office accepts it if such tax-relevant paper documents are digitally recorded, i.e. scanned. Offers, delivery notes, invoices or account statements up to inventory lists: all this can be digitized. The paper documents can then be disposed of.

But here, it is important to handle the scanning process strictly according to the guidelines of the tax authorities. Otherwise, stress and annoyance are inevitable during the next audit - in the worst case, associated with high back payments. The technical jargon is about "Replacing Scanning". When scanning as a replacement, an organizational instruction must first be created. Here you can see who is allowed to scan in the company, who controls this, who is responsible for archiving, which technology is used and how this is done.

"If paper documents have been converted into electronic documents by a scanning process, the process must be documented," Thätner comments. The tax office wants to be able to follow every step in the processing. This is the crux of the matter: In practice, it often happens that, for example, an incoming invoice is scanned and then reaches the respective clerk electronically. This one prints them out. He notes in handwriting when and with what result he checked them. "According to the GoBD, a new digitalization and classification is required in this case," warns Hubl. The invoice must be scanned again and saved. "Scanned documents may no longer be changed analogously. In the ideal case such a document is touched only with the mouse", advises Hubl.

Conversely, documents received or created electronically in the company must not simply be printed out and then archived in a cardboard folder. Each file shall be kept in its original format. If it is

converted to another format, both versions must be archived. The whole effort has only one background: The tax authorities know how easy it is to change documents electronically. He's playing it safe.

6. the accounts must not be manipulable. This applies to payroll accounting, cash and merchandise management systems, payment transactions, invoicing, time recording or electronic logbooks as well as invoicing. Many companies create invoices with Word or Excel, for example. "The tax office considers both formats to be not tamper-proof. That's why they should be stored and archived in an unchangeable format," says Thätner.

Important: The company or the self-employed person shall ensure that the stored documents are accessible to auditors at all times. This should be possible via the in-house hardware and software, directly on the screen. As a rule, business documents must be accessible for ten years - this also applies to electronic files. During this time, however, programs and program versions change. For this reason, a check should be carried out each time the software is updated.

The keyword is audit-proof archiving. That means: The storage takes place according to the guidelines of the GoBD. Specifically, all books and records on tax-relevant transactions, receipts, incoming and outgoing invoices, commercial letters and tax-relevant e-mails must be archived. Note: Mails that are only used to send a document similar to an envelope can be placed in the Recycle Bin folder. Others may not simply be stored away in the respective e-mail program. Rather, the unchangeability must be verifiable here as well.

The TeamDrive Systems software guarantees the so-called revision security of the documents according to the GoBD. Entrepreneurs who store their tax-relevant documents in the TeamDrive Systems Cloud do not need to worry. This is because the data in the cloud is also safe from access by unauthorized third parties. TeamDrive Systems has been committed to protecting data since its inception. For each installation, TeamDrive Systems creates an RSA-2048/3072 key pair. The special feature of the TeamDrive Systems solution is the complete end-to-end encryption, whereby only the user himself has access to his unencrypted data.

Important: The tax authorities do not issue certificates that a software solution is audit-proof. The reason: The tax authorities are there to levy and set taxes. This is what it says in section 85 of the Tax Code. They take care of the application of tax law. It is not their job to issue certificates.

3 What happens if the GoBD are not adhered to?

Formal errors mean that the auditors can quickly discard the accounts. You may then go into the estimate. As a rough rule of thumb, fiscal servants may increase profits by up to 10 percent due to formal deficiencies. "The tax auditors are obligated to examine the defaults, which result from the GoBD," says tax consultant Oliver Hubl.

For example, it is regarded as a gateway if no procedural documentation is available. If the company has not noted which hardware and software is used, which program changes have been made, and how the process documentation is organized. "Then nothing can come of it. Even the smallest accounting errors can lead to estimates," says Hubl.

Such formal negligence is relatively easy for fiscal servants to prove. When it comes to material inconsistencies, for example whether an asset was rightly or wrongly tax deducted, this is much more complex to clarify.

"When in doubt, CEOs must prove that they did not manipulate. They can't do that if the GoBD were not adhered to," says Hubl. Moreover, in certain cases - for example if the tax officer is unable to access the data - the tax office may have to charge a delay fee of up to 250,000 euros. The bottom line is that this is reason enough not to allow discussions to take place in the first place and to take action now at the latest.

4 When and how do entrepreneurs and surplus income calculators start best?

TeamDrive Systems offers audit-proof archiving. Companies can upload their documents to the TeamDrive cloud and save their data unalterably. With just a few mouse clicks, the user creates a folder into which old documents can also be copied and backdated with the corresponding storage start times. "A new version of the file is saved each time it is changed. An indelible AuditTrail - i.e. a history - guarantees traceability. An audit trail can be easily searched and creates traceable documentation of all archived business transactions," says Detlef Schmuck, Managing Director of TeamDrive Systems.

5 Avoid GoBD errors: Quick check for the bookkeeping

Entrepreneurs should stay on the ball with regard to GoBD and check at least annually whether their bookkeeping and electronic archiving still comply with the regulations. The checklist provides help here:

Are all tax-relevant electronic processes documented?

Has a so-called procedural documentation been created? Has it been recorded here in which areas IT is used - for example in financial accounting, purchasing, invoicing and document security?

Has it been recorded here which hardware software is used, which updates have been installed?

Are the setup logs of your own software also available?

Is it described how receipts and documents are received, recorded, processed and stored?

Is there a description of the security precautions that have been taken to ensure that the accounting cannot be manipulated?

Are the personnel responsibilities noted?

Are the employees trained accordingly to adhere to the defined processes?

Is compliance monitored?

Are the control guidelines documented?

Is there a document for each business transaction?

Are documents numbered after receipt?

Is care taken to ensure that business transactions are recorded in a timely manner?

Is the storage of documents correct, verifiable, complete, orderly and secure?

In particular: Is the archiving audit-proof?

Have precautions been taken against data loss?

Will the documents remain legible beyond the retention period?

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