



CPA CONNECT



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Dear Partner,

This comes from my desk as the Managing Director of CPA Services!

I took over this assignment from 1st April, 2023 post my stepping out from FMSF. I have been able to engage with you all as partners of CPA at a higher level in the last 10 months. I felt that even though you receive a number of mails/updates, it will be good to circulate an update on certain key aspects of Financial Management, Governance, and legal compliances once every fortnight. So please expect to receive this update which we have named as “**CPA Connect**” You are receiving this mail because you have an ongoing or past co-operation with CPA. So here is our first edition “CPA Connect” and I am very happy about it.

From the year 2022, the Income tax rules have been amended to make it mandatory to maintain books of account in the prescribed manner for non-profit organizations.

This Topic will be covered under Six sections,

1. Applicability
2. Books of Account to be kept and maintained
3. Other documents to be kept and maintained
4. Form of maintenance of books of account and other documents
5. Place of maintenance of books of accounts and other documents
6. Period of maintenance of books of accounts and other documents

We will be analyzing it in the upcoming editions. To begin with we are taking the first two sections,

1. Applicability
2. Books of Account to be kept and maintained

1. APPLICABILITY OF INCOME-TAX (24TH AMENDMENT) RULES, 2022

Central Board of Direct Taxes (CBDT) amended the Income Tax Rules, 1962 vide Notification no. 94 dated 10th August, 2022 to notify the books of accounts to be maintained by organizations registered under Section 10(23C) or 12A of the Income Tax Act.

The amended rules are applicable to all organizations (except whose income is less than INR 2,50,000) registered or claiming exemptions under section 10(23C) or 12A of the Income Tax Act. namely;

- Every fund or
- institution or
- trust or
- any university or
- other educational institution or
- any hospital or
- other medical institution;

Notes:

- The amended rules shall also be applicable to Educational and Medical Institution having annual receipts upto INR 5 Crore, who claims exemption under the above clause without requiring a separate approval or registration.
- Though the Society and Section 8 company is not specifically named in the list mentioned above, however the same will be covered under Institution and the rules 17AA shall be applicable to them accordingly.

2. BOOKS OF ACCOUNTS TO BE KEPT AND MAINTAINED

The amended rules require all organizations to whom these rules are applicable to keep and maintain the following,

i. Cash Book;

ii. Ledger: The organization should maintain the specific ledgers such as Vendor ledgers, TDS ledger, Bank Book, expense ledger, and alike.

iii. Journal: The organization should maintain Journal Book wherein the transaction other than relating to Bank or cash are recorded such as expenses payable, depreciation, TDS payable, TDS receivable, assets capitalization, and alike.

iv. Copies or Counterfoils of Bills and Receipts issued by the organizations. The bills and receipts issued should be serially numbered.

v. Original Bills issued to the organization

Analysis: The organizations should mandatorily keep the original bills in the mode the same was originally generated. i.e. Copies of the original bills may not be accepted, however printout can be kept where the bills were originally issued in electronic form.

vi. Original Receipts in respect of payments made:

Analysis: In case of the payment made against the bills issued to the organization, receipt acknowledgement should be mandatorily received. However, in case of cash bills received, a stamp along with a signature may suffice the requirement.

Further, receipts should be kept in the mode it is originally received. i.e. Copies of the original Receipts may not be accepted, however printout can be kept where the Receipts were originally issued in electronic form.

vii. any other book that may be **required** to be maintained in order **to give a true and fair view** of the state of the affairs of the person and explain the transactions effected:

Analysis: This includes all other official documents and records issued by or issued to the organization in support of official transactions and to maintain an audit trail of a particular transaction.

viii. The above mentioned books of account shall also be maintained for all the business carried on by or held under the organizations

*Watch out for our next edition in 15 Days' time where we would discuss about, "**Other documents to be kept and maintained**"*

In the meantime, if you have any question on the above, feel free to get back to me/us and we will respond to it.



With Best Regards,
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