

## Central Board of Direct Taxes (CBDT) prescribes the maintenance of books and documents to non-profit organisations

### Background

Under section 10 (23C) of the Income-tax Act, 1961 any income received by the following organisations is exempt from the computation of total income:

1. organisations established for charitable/religious objects like trusts, funds, institutions;
2. certain not-for-profit universities and educational institutions (existing solely for educational purposes); and
3. certain not-for-profit hospitals/institutions for treatment of the prescribed illnesses (existing solely for philanthropic purposes).

To avail of the exemption, the Income-tax Act, 1961 ('the Act') requires a chartered accountant to audit the accounts of such institution for the previous year ('PY') and also furnish an audit report.

### Amendment

The Finance Act 2022 had proposed to make it mandatory for such institutions to maintain the books of account and other prescribed documents at a specified place. To give effect to the proposal, the Ministry of Finance notified new rule 17AA to the Income-tax Rules, 1962.

Rule 17AA prescribes the books of account and other documents that the organisations mentioned above need to maintain with immediate effect.

**1. Books of account:** This includes cash book, ledgers, journal, original bills/invoices, and any other books required to depict a true and fair view of its state of affairs.

**2. Other documents, i.e., records of:**

- all the projects and institutions run
- income/receipts
- application of income within and outside India or to any other funds/trusts/institutions
- income set apart for future application
- investments and deposits
- voluntary contributions received for specific directions to be treated as corpus
- contributions received for repairs, renewals, etc.
- properties held
- transactions with certain specified persons, i.e., the founders, trustees, substantial contributors and their related persons/persons having substantial interest.

The books of account and other documents must be maintained for 10 years from the end of the relevant assessment year at the registered office of the assessee. In case they are kept at any other place, a written intimation of such other address must be made within 7 days to the assessing officer. Books and documents for all re-opened assessments should be preserved till the assessments are completed.

### Weblink

<https://www.incometaxindia.gov.in/communications/notification/notification-94-2022.pdf>

## Therefore

CBDT has made it mandatory for trusts/educational institutions/hospitals to maintain the prescribed books of account and documents. While most organisations would already be maintaining such books and records, it is now a statutory requirement along with the period for which such books and records have to be preserved.