

An Article on “Amendments in rules as regards manner of books of accounts in electronic form” :



The government has vide notification dated **5th Aug 2022** amended the rules in relation to manner of books of account to be kept in electronic mode. The amendments are applicable from immediate effect.

The key amendments made are as under:

- The rules now mention that the books of accounts must be accessible in India **at all times**. The earlier rules did not mention the words ‘at all times’ which have been added to clarify the regulatory intent.
- Backup of the books of account and other books and papers maintained in electronic mode, including at a place outside India, must be kept in servers physically located in India on a **daily basis**. The earlier requirement was to maintain back-up on a periodic basis.
- At the time of filing annual financial statements, the companies are required to provide certain information regarding their service provider viz. name, internet protocol address, location, cloud storage address, etc. Additionally, it has now also prescribed that, where the service provider is located outside India, it is now mandatory for the companies to provide the name and address of the person in control of the books of account and other books and papers, in India

The above changes have been made with the intent to ensure that the data maintained in electronic form & stored on cloud server or outside India are fully accessible in India at all times. This becomes increasingly relevant as most of the companies have moved to electronic form of maintaining books of account and data being maintained on cloud storages systems with multiple service providers. This amendment would also be relevant for subsidiaries of multinational companies, wherein ERP data is on centralized servers maintained outside India. This may warrant necessary IT infrastructure in India and may involve additional efforts and cost for compliance.

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