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Charitable trusts and institutions to maintain exhaustive books and documents

Till now, every charitable trust, institution, university, educational institution, hospital, other medical institution etc. claiming exemption from income tax, were only required to get their accounts audited under the Income Tax Act if their total income for the year exceeded Rs. 2.50 lacs. However, maintenance of books of account was not prescribed.

Central Board of Direct Taxes (CBDT) has now added Rule 17AA specifying the books of account and other documents required to be kept and maintained by such trusts or institutions. This Rule has come into effect from 10th August, 2022.

In terms of this Rule, such trusts and institutions are now required to keep and maintain books of account including cash book, ledger, journal, copies of bills, original bills and receipts in respect of payments made by the person and any other book that may be required to be maintained in order to give true and fair view of the state of affairs of the person and explain the transactions effected. These books/documents can be kept in physical or electronic form at registered office or such other place in India as decided (which requires intimation to the Assessing Officer). These books are required to be maintained for ten years from the end of the relevant assessment year, but in case of re-assessment, till such re-assessment has become final.

Other documents include maintenance of record(s) mainly in relation to the following:

- Projects and institutions run by such trust or institution.
- In case of receipt of voluntary contribution, details of name, address, PAN and Aadhar Number of the donor. If payments are made in India or outside India out of income of

such trust or institution, details of the person receiving the payment and reason for such payment. In case of receipt of corpus donations, similar records are to be maintained.

- Record of contributions received by the trust or institution responsible for running a religious place, for renovation or repair of temple, mosque, gurdwara, church or other place notified under the Income Tax Act. Similar record is also to be kept for payments made.
- Loans taken by the trust or institution containing details regarding amount and date of loan taken, amount and date of repayment, name, address, PAN and Aadhar number of the lender. Further, similar record of utilisation of such loan is also to be maintained.
- Record of properties (movable and immovable) held by the trust or institution.
- Record of specified persons containing details of name, address, PAN, Aadhar number, transaction(s) undertaken with such specified persons including documents to the effect that such transaction(s) are not for the benefit of such specified persons.

Above regulatory measures by the government will help to ensure use of income tax exemption by charitable trusts or institutions for legitimate purposes and thus, help to reduce tax evasion to a great extent.

The list of books of account and other documents required to be maintained by every trust or institution whose total income in a financial year exceeds Rs. 2.50 lacs as prescribed in the said Rule is very exhaustive. Accordingly, the trusts or institutions may face certain difficulties in ensuring compliance thereto which are as under:

- (a) Increase in additional compliance burden since exhaustive records are required to be maintained.
- (b) Trusts or institutions may require to deploy additional human resources in order to ensure proper compliance.
- (c) Maintenance of books and/or other documents in physical form may require additional infrastructure facilities. If the same are kept in electronic or digital form, it may be costly.
- (d) Accordingly, the deployment of additional resources will result into additional cost of compliance which smaller trust or institutions may find difficult to borne.

The books of account and other documents required to be maintained is explained as under:

