

Charitable Institution now required to maintain detailed records of transactions

Section 11 of the Income Tax Act ('the Act') provides exemption for income derived from property held under trust wholly for charitable or religious purposes to the extent such income is applied towards those purposes in India. Similarly, section 10(23C) provides for exemption of income of certain universities, educational institutions, hospitals and other medical institutions. Accounts of such trusts, funds, institutions etc. ('charitable institutions') are subject to audit.

The newly substituted 10th proviso to section 10(23C) and section 12A(1)(b)(i) requires charitable institutions to maintain prescribed books of account and other documents.

The CBDT has now inserted Rule 17AA specifying the books of account and other documents that will have to be maintained by such charitable institutions. The Rule also explains the form, manner, and period for which they have to be preserved.

Mandatory maintenance of specified books of account

Charitable institutions would be required to maintain the following books of account:

- Cash book
- Ledger
- Journal
- Machine numbered or otherwise serially numbered copies /counterfoils of bills or receipts issued by the assessee
- Original bills in respect of payments made by the assessee
- Any other book or document that provides a true and fair view of the state of the affairs of the specified trusts or institutions and explain the transactions effected.

All such books shall be separately maintained for any business undertaking of such charitable institutions.

Mandatory maintenance of certain records of the transaction

In addition to the books of account, charitable institutions would also be required to maintain the records of voluntary contributions, application of income, properties of the trust etc. as specified in the Rules. List of such records to be maintained for specified transactions is detailed in the **Annexure A**.

Other Records to be maintained

In addition to the records detailed in Annexure A, charitable institutions are required to maintain record of specified persons referred in section 13(3) as well as details of investment required to be made in the forms and modes specified in section 11(5) and investments other than those specified under section 11(5). The details of investment are required to be maintained for income earned

during the year, accumulated from the preceding year, corpus donations etc. The prescribed records to be maintained are detailed in **Annexure B**.

Place where books of account and records to be maintained

The specified books of account and records are required to be maintained at the registered office of the charitable institution. Where such books of account and records are kept at a place in India, other than the registered office, the same requires passing of a resolution and the AO is required to be intimated in writing within 7 days of passing of the resolution, giving the address of such other place.

Period for which books of account and records to be maintained

The specified records are required to be kept for the period of 10 years from the end of relevant assessment year. In case of re-assessment proceeding initiated under section 147 of the Act, these records shall be kept, till such assessment becomes final.

Form and manner in which books of account and records to be maintained

The books of account and other records are required to be kept in the following forms:

- written form,
- electronic form,
- digital form, or
- as printouts of data stored in electronic form or in digital form or any other form of electromagnetic data storage device.

Annexure A – Details of records to be maintained for each category of specified transactions

Nature of Transaction	Details to be maintained
<u>Record of All Projects and Institutions</u>	
All Projects and Institutions	Name, Address, and Objectives of all the projects and institutions run by the trust/Institution
<u>Record of Income</u>	
Voluntary contribution	Name and address of the donor, PAN and Aadhaar No. (if available)
Income from property held under trust referred to under section 11	Quantum of income and list of such properties from which income arises
Income other than the contribution referred to above	Records of such other income

Nature of Transaction	Details to be maintained
<u>Record of Application of Income</u>	
[A] Out of income during the previous year (PY)	
Application of income in India	Amount of application, name and address of the person to whom any payment is made and the object for which such application is made
Application of income outside India	
Amount paid to other charitable institution	Name of the payee, address, PAN, amount paid and the object for which such payment is made
Deemed application of income i.e., income that has not been received during the year or for any other reason, which needs to be applied in subsequent year or year of receipt of income	Reason for availing such deemed application
Income permitted for accumulation up to 5 years for specific purpose	Purpose for which such income has been accumulated
[B] Out of income of any PY preceding the current PY	
Application out of the income accumulated or set apart for specific purpose	Year of accumulation, amount applied during the PY out of such accumulation, name and address of the person to whom any credit or payment is made and the object for which it is applied
Application out of the deemed application of income for any preceding PY	
Application, other than the application referred in this table above, out of income accumulated during any preceding PY	
<u>Record of Voluntary Contribution forming part of the Corpus</u>	
Contribution received during the PY	Name and Address of the donor, PAN and Aadhaar No. (if available)
Application out of such corpus contributions received during the PY or received during any PY preceding the current PY	Amount of application, name and address of the person to whom any credit or payment is made and the object for which such application is made

Nature of Transaction	Details to be maintained
Amount paid towards corpus of the other charitable institution	Name, address, PAN and the object for which such payment is made
The above details are also required to be maintained for voluntary contributions received by the religious trust for the purpose of renovation or repair of a temple, mosque, gurdwara, church or other place notified under section 80G(2)(b), which is being treated as corpus	
<u>Record of Loans and Borrowings</u>	
Loans / borrowings received during the year	Amount and date of receipt, name of the person from whom loan taken, address of lender, PAN and Aadhaar No. (if available) of the lender
Application out of such loan – <ul style="list-style-type: none"> received during the year received during any PY preceding the PY 	Amount of application, name and address of the person to whom any payment is made and the object for which such application is made
Repayment of such loan or borrowing (which was applied during any preceding PY and not claimed as application)	Amount and date of repayment
<u>Record of Properties</u>	
Immovable Properties	Nature of the property, address, cost of acquisition, registration documents
Transfer of such properties	Net consideration utilised in acquiring the new capital asset
Movable properties	Nature and cost of acquisition of the asset

Annexure B - Other records to be maintained

Particulars	Details to be maintained
<u>Record of Specified Persons referred in Section 13(3)</u>	
Specified Persons	Name, address, PAN and Aadhaar No. (if available)
Transactions undertaken by the institution or trust with specified persons	Date and amount of such transaction, nature of the transaction and documents to the effect that such transaction is, directly or indirectly, not for the benefit of such specified person

Nature of Transaction	Details to be maintained
<u>Record of Investment or Deposit</u>	
In the forms and modes specified in section 11(5)	<ul style="list-style-type: none"> ▪ Out of income during the PY ▪ Out of income accumulated of any PY preceding the current PY ▪ Out of voluntary contributions that shall form part of the corpus ▪ Invested back into such corpus contributions (which was applied during any preceding PY and not claimed as application)
In the forms and modes other than those specified in section 11(5)	

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MUMBAI

www.cnkindia.com

3rd Floor, Mistry Bhavan, Dinshaw Vachha Road,
Churchgate, Mumbai. 400 020, India.
Tel: +91 22 6623 0600

501/502, Narain Chambers, M.G. Road,
Vile Parle (East), Mumbai 400 057, India.
Tel: +91 22 6250 7600

Bengaluru: +91 80 2535 1353

Chennai: +91 44 3500 3458

Vadodara: +91 265 234 3483

Ahmedabad: +91 79 2630 6530

GIFT City: +91 79 2630 6530

Delhi: +91 11 2735 7350

Pune: +91 020 2998 0865

Dubai: +971 4 3559533