

Rules for charitable institutions get tighter

Updated: 11 Aug 2022, 09:44 PM IST

- **The new rules specify the kind of documents such as cash book, ledgers, copies of bills and any other book needed to give a true and fair view of the entity and to explain the transactions.**

NEW DELHI: The Central Board of Direct Taxes (CBDT) has brought out a comprehensive list of records that charitable institutions that get income tax exemption have to maintain, showed an official order.

The move aims to check abuse of charitable institutions and other entities that get income tax exemption for tax evasion.

The Income Tax (24th Amendment) Rules notified on Wednesday stipulate that these record keeping requirements are applicable to funds, institutions, trusts, universities and other educational institutions and hospitals and other medical institutions which are required to maintain books of accounts and other documents under specified sections of the Income Tax Act.

These are section 10 which deals with tax exemptions and section 12 that deals with income from property held for charitable or religious purposes and income of trusts or institutions from contributions.

In addition to specifying the kind of documents such as cash book, ledgers, copies of bills and any other book needed to give a true and fair view of the entity and to explain the transactions, the new rules also specify the kind of details that are to be maintained in records. The entity also has to maintain a record of how its income has been used in India and abroad. Besides, a record of the properties held by the assessee—both movable and immovable-- and transactions involving immovable properties have to be maintained.

The books of accounts and other documents can be kept in either written form or in electronic or digital form. The books of account and certain other documents have to be maintained for ten years from the end of the relevant assessment year, the rule said.

The notification lists out books of accounts and a very comprehensive list of other records which includes documents pertaining to projects undertaken, voluntary contributions received, loan taken, investment made etc to be maintained by all charitable institutions and trusts.

CBDT has over the last few years been stepping up the record keeping, reporting and audit related requirements of entities that enjoy tax exemption. Tax relief is available to trusts on the income used towards meeting their stated religious or charitable objectives subject to conditions specified in Income Tax Act.