

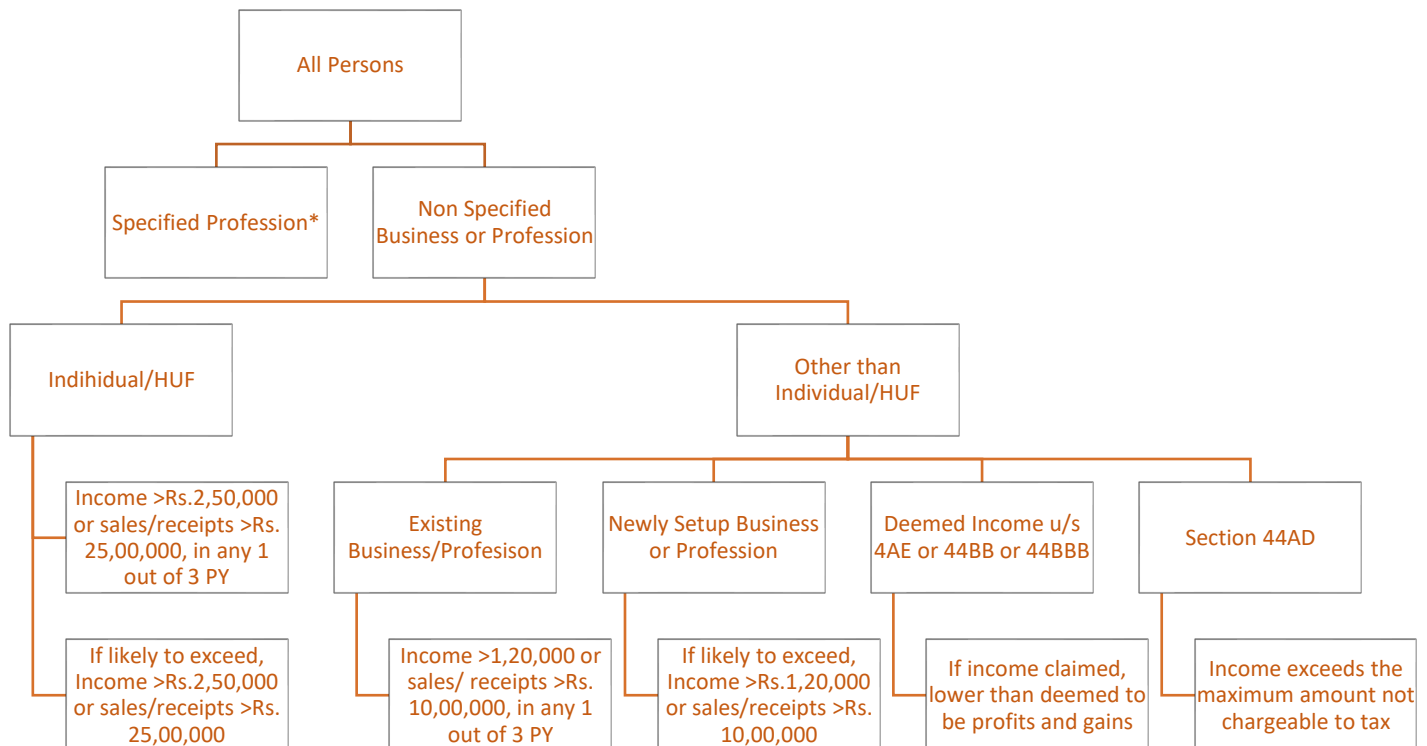
BOOKS OF ACCOUNTS REQUIREMENT

Maintenance of Books of Accounts Under Income Tax Act, GST Act & Companies Act

Books of accounts including vouchers and receipts are required to be maintained under different statutory laws – Income Tax Act, Companies Act 2013 and GST Act. Books to be maintained, retention period and compulsion requirements are different under all the 3 laws.

Under Income Tax Act

The Income Tax Act has specified the books of accounts that are required to be maintained for the purpose of Income Tax. These have been prescribed under section 44AA and Rule 6F. If in case of specified professions and persons falling within income or sale/turnover/gross receipts criteria, then books of accounts will be compulsorily maintained.



*Following professions specified –

- Legal
- Medical
- Engineering
- Architectural
- Accountancy
- Technical consultancy
- Interior decoration
- Authorized representative — A person who represents another person for a fee before a tribunal or any authority constituted under any law. It does not include an employee of the person so represented or a person who is carrying on the profession of accountancy.
- Film artist — This includes a producer, editor, actor, director, music director, art director, dance director, cameraman, singer, lyricist, story writer, screenplay or dialogue writer and costume designers.
- Company secretary

If the income isn't more than Rs. 1,20,000 or Rs. 2,50,000 in any of the 3 preceding years or not expected to be more than Rs. 1,20,000 or Rs. 2,50,000 in case of a new profession, then also books should be maintained. However, books, in this case, haven't been specified – so any books can be maintained but it should be such that Assessing Tax Officer can calculate the income.

When is bookkeeping not required?

- Businesses covered under section 44AD and 44AE are not required to maintain any books of accounts. However, taxpayers who claim that their income from business is lower than the presumed income calculated under section 44AE must maintain books of accounts as specified in section 44AA and have them audited under section 44AB.
A taxpayer may shift from presumptive taxation under section 44AD/44ADA to normal taxation to claim that their income from business or profession is lower than the presumed income calculated under section 44AD/44ADA. In such a case, where the income exceeds the basic exemption limit of Rs 2,50,000, books of accounts as required under section 44AA have to be maintained and audited as per section 44AB.
- In the case of a taxpayer whose turnover was less than Rs 25 Lakh, but having total income above the maximum amount not chargeable to tax, are excluded from maintenance of books of accounts as per 44AA.

Books of accounts as per Rule 6F

- **Cash Book:** A record of day to day cash receipts and payments which shows cash balance at the end of the day or at best at the end of each month and not later.
- **Journal:** A journal is a log of all day to day transactions. It is a record, in accounting terms, where total credits equal total debits, when we follow the double entry system of accounting ie each debit has a corresponding credit and vice versa.
- **Ledgers:** A ledger where all entries flow from the journal, has details of all accounts, this can be used to prepare the financial statements.
- Photocopied of bills or receipts issued by you which are more than Rs 25
- Original bills of expenditure incurred by you which are more than Rs 50
Following are the additional requirements in case of a person carrying on medical profession — physicians, surgeons, dentists, pathologists, radiologists, etc.
- Daily cash register with details of patients, services rendered, fees received and date of receipt
- Details of stock of drugs, medicines, and other consumables used

For how long should the books be maintained?

Books should be maintained for a period of 6 years from the end of the relevant year.

Where books to be maintained?

These books should be maintained at the Head Office or at each of the offices.

Under Companies Act

Every company has to maintain books of accounts, at the registered office or any office that board of directors may decide. If the company is maintaining books at an office other than the registered office, it has to intimate the same to RoC. The company can maintain the accounts electronically also.

For how long should the books be maintained?

Books should be maintained for a period of 8 years from the end of the relevant financial year.

Books of accounts to be maintained

Books of Accounts includes records maintained in respect of:

- Sum or money received and expended and matters in relation to which the receipt and expenditure take place
- Sales and purchase of goods and service
- Assets and liabilities
- Item of cost as prescribed u/ s 148 [2(12)].

“Books and Paper” include books of account, deeds, vouchers, writings, documents, minutes and registers maintained on paper or in electronic form.

Place for Maintaining Book of Accounts of Company

The book of accounts has to be maintained at the registered office of a company. However, after providing intimation to the Registrar of Companies, the Board of Directors could decide to keep or maintain book of accounts at any other location suitable to the business.

Maintaining Book of Accounts of Company – Online

A company can **maintain its books of accounts online** or in an electronic form subject to the following conditions:

- The electronic records must be accessible in India.
- Information should retain the format in which it is generated and should remain complete and unaltered
- Information provided by branch should not be altered
- Electronic records should be capable of being displayed in legible form
- Backup shall be kept in server located in India
- The company should intimate ROC on annual basis with relevant information related to the service provider.

Maintaining Records of Branch Office

In case a company has more than one office, the main book of accounts of the company must be maintained at the registered office. In addition, a records of transaction effected at its branch, should be kept at branch office itself. A regular summary report must be sent to registered office and it should be kept open to inspection by the Directors.

Time Limit for Maintaining Book of Accounts

Books of accounts of a company must be maintained and preserved for a period not less than 8 years immediately preceding a financial year.

Under GST Act

Every registered person has to maintain GST records at the principal place of business.

Records to be maintained

- Production or manufacture of goods
- Inward and outward supply of goods or services or both
- Stock of goods
- Input tax credit availed
- Output tax payable and paid and
- Other particulars as may be prescribed

For how long should the records be maintained?

Books and records should be maintained for 6 years from the last date of filing of the annual return (31st December) for that year.

IT WOULD BE DILIGENT TO MAINTAIN YOUR BOOKS OF ACCOUNTS AND KEEP TRACK OF ALL YOUR EXPENSE AND INCOME IN A METHODOICAL WAY.

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