

PRESERVATION OF ACCOUNTS

HINDUSTAN TIMES

Tax Matters/ S.P. Babuta

Monday, January 1, 2007

Confusion often prevails among the taxpayers who are required to maintain books of accounts as to where the same should be kept or for how many years they are required to be preserved.

This confusion becomes more complex because of the different requirements under various statutes. An attempt is being made to cover the subject from various perspectives.

Under Income Tax Act:

Following books of accounts and documents are required to be maintained as per rule 6F(2):

- Cash book, journal (if accounts are maintained as per mercantile system of accounting), ledger, carbon copies of bills, serially numbered and carbon copies or counter foil of receipts issued in respect of sum exceeding Rs. 25 and original bills for expenses exceeding Rs 50/-and payment voucher for petty expenses. However in a case where the cash book maintained by the person contain adequate particulars in respect of expenditure incurred , then vouchers are not necessary in respect of expenses upto Rs. 50/-
- Persons engaged in medical profession are in addition required to maintain daily case register in the prescribed performa and inventory as at the beginning and end of the year, of stock of drugs, medicines and other consumable accessories used for the purpose of his profession.
 - Books of accounts and other documents are required to be kept for at least 6 years from the end of the relevant assessment year.
 - Where the assessment in relation to any assessment year has been reopened u/s 147 within the time limit u/s 149, in such cases all the books of accounts and other documents shall continue to be kept till the assessment so reopened has been completed. It is also advisable to retain books of account and relevant documents for those years for which any appeal or other proceeding is pending.
 - Failure to maintain books of accounts and other documents or to retain them as required u/s 44AA attracts penalty of rs. 25000/-u/s 271A.
 - The current Year's books of accounts should be maintained and kept at the principal place of business or profession as per rule 6F(3).However there is no specific rule as to where the books of accounts of earlier year should be kept.

For Fringe Benefit Tax:

The Assesseees who are assessed on presumptive basis under section 44AD, 44AE,44AF etc. would also be covered by fringe benefit tax .Thus though Act states that these persons are not required to maintain books of accounts , It seems that for the purposes of calculating FBT they have to maintain books of accounts.However FBT is not payable by individuals.

Under Companies Act :

Hard Copy of Books of Accounts signed by authorized person should be kept for a period of 8 years immediately preceding the current year.

Under VAT Act: Every person required under this Act to keep and maintain account books or other records, shall retain them until the expiry of 6 years after the end of the year to which these relate or such other period, as may be required or until the assessment becomes final, whichever is later.

As per Service tax act: Records maintained under other fiscal laws are acceptable but records should be preserved atleast for a period of 5 years immediately after the financial year to which such records pertained.

From the above it may be safely concluded that the books of accounts and other documents if preserved for a minimum of 8 years(in case of corporate assesseees) and 6 years (in case of others) immediately preceding the current year would meet the requirements of all the applicable statues , under normal circumstances.