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compulsory maintenance of prescribed books of account

Section 44AA of Income Tax Act and Rule 6F of Income Tax rules deal with the provisions regarding maintenance of books of accounts under Income tax Act

As per section 44AA(1) read with rule 6F the persons carrying on any of the profession as **mentioned below** are required to maintain books of accounts and other documents as may enable the assessing officer to compute his total income, **if yearly gross receipts of the profession exceeded Rs 150000.**

- ✓ Legal , or
- ✓ Medical, or
- ✓ Engineering, Or
- ✓ Architectural Or
- ✓ Accountancy Or
- ✓ Technical Consultancy Or
- ✓ Interior Decoration Or
- ✓ Authorized Representative Or
- ✓ Film Artist

- ✓ Proviso to Rule 6F (1) provides that if the gross receipts of a profession do not exceed Rs 150000 in any one of the three years immediately preceding the previous year or where the profession has been newly setup in the previous year, his total gross receipts in the profession for that year are not likely to exceed the said amount, **then such professional need not to maintain any books of accounts as mentioned in rule 6F.**

- ✓ It means that if the gross receipts of a profession exceed Rs 150000 in all the three years preceding the previous year **only then** the books of accounts will be required to be maintained, if the gross receipt exceed the prescribed limit in the two preceding years but not in the third preceding year then there will be no need to maintain books of accounts as contemplated in rule 6F.

The following books of account and other documents are required to be maintained **by the above-mentioned assessees** (**NOTIFIED UNDER RULE 6F**)

- a cash book;
- a journal, if accounts are maintained on **mercantile basis** ;
- a ledger;
- carbon copies of **bills and receipts issued**, whether machine numbered or otherwise serially numbered, in relation to sums exceeding Rs. 25;
- Original bills and receipts issued in respect of **expenditure** exceeding Rs. 50.

A person carrying on **medical profession** will be required to maintain the following **in addition to the list given above**:

- a daily case register in **Form 3C.**
- an inventory under broad heads of the **stock of drugs, medicines and other consumable accessories**, as on the first and last day of the previous year, used for his profession.

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It is significant to note that such professionals (**whose professions are notified under Rule 6F**) whose gross receipts are **less than the specified limits** given above are also required to maintain books of account but these have not been prescribed in the Rule. In other words, they are required to maintain such books of account and other documents as may enable the Assessing Officer to compute the total income in accordance with the provisions of this Act.

***Explanation*: In this rule,**

- "authorised representative" means a person who represents any other person, on payment of any fee or remuneration before any Tribunal or authority constituted or appointed by or under any law for the time being in force, **but does not include an employee of the person so represented or a person carrying on legal profession or a person carrying on the profession of accountancy;**
- "cash book" means a record of all cash receipts and payments, kept and maintained from day-to-day and giving the cash balance in hand at the end of each day or at the end of a specified period not exceeding a month;
- "film artist" means any person engaged in his professional capacity in the production of a cinematograph film whether produced by him or by any other person, as;
    - an actor;
    - a cameraman;
    - a director, including an assistant director;
    - a music director, including an assistant music director;
    - an art director, including an assistant art director;
    - a dance director, including an assistant dance director;
    - an editor;
    - a singer; a lyricist; a story writer;
    - a screen-play writer; a dialogue writer; and a dress designer.

- Further, every person carrying on business or profession **other than the professions notified under Rule 6F**, **must statutorily maintain such books of accounts and other documents as may enable the Assessing Officer to compute his total income in accordance with the provisions of the Income-tax Act, 1961**

Consequences for failure to maintain books of accounts

- ✓ 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 penalty can be imposed by the assessing officer or CIT (Appeal).