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Draft Notification to Amend Audit Rules for Trusts

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The Central Board of Direct Taxes (CBDT) issued a **draft notification for amendment of Rule 17B of the Income-tax Rules, 1962** related to **audit rules for trusts or institutions**.

NOTE:

- Rule 17B and Form 10B were inserted in the **Income-tax Rules, 1962** (related to **Income-tax Act, 1961**) vide Income-tax (2nd Amendment) Rules, 1973.
- **Rule 17B** of the Rules provides that said Report of Audit of the accounts of a trust or institution shall be in **Form No. 10B**.
- The **Form No 10B** besides providing the Audit Report, also provides for filing of "Statement of particulars" as Annexure.

Key Points

- As the Rule and Form were notified long ago, there is a need to rationalize them to align with the requirements of the present times.
- The draft notification includes a **new eight-page Form 10B** as against existing three-page form.
- The new Form 10B seeks details like
 - foreign donation received and details of donors to whom certificates are issued for claiming deduction under the I-T Act,
 - the statute under which trust/institution is constituted, registration under Income-tax Act;
 - object of trust institution;
 - details of income and application of income;
 - registration status under Foreign Contribution (Regulation) Act, (FCRA), 2010; and
 - method of accounting policy along with various other details.
- In case of trust/institution with object classified as 'advancement of any other object of general public utility', the draft notification seeks details as to whether such activity is in the nature of trade, commerce, business or services in relation thereto for cess, fees etc., details of receipt from such activity.

- The **revised 'Statement of particulars'** seeks extensive details of the operations of the Trusts, which will ensure that the trust is fully compliant with the applicable processes and procedures.
- Where a **business undertaking is held as 'property held under trust'**, the proposed form requires extensive details and also filing of the audit report.
- According to Tax experts, the various additional disclosure requirements will increase the responsibility of auditors as they would now be required to certify that the particulars given in the annexure are true and correct.
- Thus, the responsibility of the Assessee, as well as the auditor, will increase significantly post implementation of these changes.