NGO Annual Compliance Kit

Preview: sample pages

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3. Books and audit readiness: Form 112 (audit report)

3.1 When an audit is required

If the total income of a registered non-profit organisation (NPO), worked out **before** the exemptions in the NPO Part of the Act, exceeds the maximum amount that is not chargeable to tax, then for that tax year it must:

- keep books of account and other documents as prescribed (s.347; Rule 187);
- have its accounts audited by an accountant and furnish the audit report in the prescribed form (s.348); and
- file its return of income (s.349).

The audit report is **Form 112**, "Audit report under section 348 in the case of a registered non-profit organisation (NPO)". It is due **one month before** the due date of the return under s.263(1) (Rule 188). It is signed by a Chartered Accountant, and the verification asks for the membership number and UDIN (Form 112, Note 20 and verification).

Why the dates matter. Section 353 ("Other violations") says that if a registered NPO fails to maintain books under s.347, to get them audited under s.348 or to furnish its return under s.349 in any tax year, its regular income for that year (reduced only by the limited expenditure allowed in s.353(3)) becomes taxable regular income under s.334. Its specified and residual income can also be taxed (s.353(2)). Missing these filings is not a paperwork lapse; it can cost you the exemption for the year.

The Form 112 FAQ adds three practical points: the form is filed online only, it cannot be edited after submission, and the exemption can be claimed only if Form 112 is furnished within the due date. Give your CA enough time.

3.2 Small or large NPO?

Form 112 has two columns. You answer three questions in Part A, item 6:

- (a) Does regular income under s.335 for the tax year exceed ₹5 crore?
- (b) Does foreign contribution received in the tax year exceed ₹10 lakh?
- (c) Does application of income outside India in the tax year exceed ₹10 lakh?

If the answer to **any** of them is Yes, the "Large registered NPOs" column (with more schedules) applies. Otherwise the "Small registered NPOs" column applies. The calendar workbook has a small calculator for this.

3.3 Books and records you must keep (Rule 187)

- Books of account: cash book, ledger, journal, copies of bills and serially numbered receipts you issue, original bills and receipts for payments, and any other book needed to give a true and fair view (Rule 187(1)(a)).
- Separate books for any business undertaking under s.344 and any other business (Rule 187(1)(b), (c)).
- A record of every project and institution you run, with its name, address and objectives.
- Records of income: from the charitable or religious activity, from property, deposits and investments, voluntary contributions, permissible commercial activity, specified income (s.337) and residual income.
- Records of application: in India (amount, payee's name and address, object), payments to other registered NPOs (with their PAN), application outside India, deemed application, accumulation, and investments in and outside the s.350 modes.

9. NGO Darpan: annual profile review

NGO Darpan (https://ngodarpan.gov.in) issues your Darpan Unique ID. **The portal does not state an annual or periodic update requirement.** As an **NGOGrant suggestion**, review your profile once a year, ideally after your AGM, and whenever something changes:

- the office bearers, key members and their contact details;
- your registration details and the "Date of NPO Registration Validity", where you marked validity as Yes;
- your FCRA details (registration number, date of registration and expiry date), where "FCRA Available" is Yes;
- your email ID and mobile number. After login, use **Change Request**; otherwise use the helpdesk.

The portal advises against using the NITI Aayog name or logo, and a Darpan ID does not mean endorsement. For the full Darpan process, see the NGOGrant.in **NGO Darpan Registration Kit**.

11. Adopting the annual accounts: resolutions

Income tax, FCRA and the ROC all assume that the people in charge have approved the accounts. Who approves them, and how, comes from your trust deed, bye-laws or articles, and for a Section 8 company from the Companies Act. The templates give three variants:

Template	For	What it records
Resolution-Adopt-Accounts-Trust.docx	Public or charitable trust	Trustees' meeting approving the audited accounts, noting the audit report (Form 112 and any State audit), authorising signatures and filings
Resolution-Adopt-Accounts-Society.docx	Registered society	Governing body recommending the accounts, and the general body adopting them, electing or recording the governing body, and authorising the State filing
Resolution-Adopt-Accounts-Section-8-Company.docx	Section 8 company	Part A: Board approving the financial statements under s.134(1) and calling the AGM. Part B: members' ordinary resolution at the AGM adopting them, and authority for AOC-4 and MGT-7

Before you use a template: check your quorum, notice period and voting rules in your deed, bye-laws or articles. Use the exact name of the body (for example "Board of Trustees", "Managing Committee", "Executive Committee" or "Board of Directors") and record the meeting in your minutes book. Other governance resolutions (bank signatories, appointments and so on) are covered in the NGOGrant.in **Governance Meeting & Resolution System**.