

March 28, 2023

Dear Member,

**Sub.: New Accounting Rule for Private Ltd Co**

We draw your attention to an IMPORTANT news update that we have received from our Chartered Accountant M/s Gandhi and Associates that pertain to the new accounting rule for Private Ltd Companies under which companies will have to maintain an audit trail for all the transactions beginning from 1st April, 2023. The aim of this move is to improve transparency in the financial reporting and to prevent tampering of accounting entries.

The notification, which was first issued two years ago, is finally coming into effect after getting pushed forward twice. Furthermore, the MCA has also made it mandatory for companies to maintain the edit log of changes made in the books of account.

As per above provisions, every company keeping its books of account in electronic mode shall, w.e.f. 1st April, 2023, ensure that the software which it is using should have a feature of recording audit trail of each and every transaction, creating an edit log of each change made in books of account along with the date when such changes were made and ensuring that the audit trail cannot be disabled.

The features of this function are going to have a great impact on our accounting methods. Few of them are mentioned below:

1. Audit trail feature along with Edit log is a feature which is already present in tally prime (not in Tally ERP9) which needs to be enabled by the accountant. This is going to require just another software installation and nothing more.

2. This feature will have the following effects:

Backdated entries will be recorded (including any alterations made in any particular entry). For example if we pass any expenditure entry in the month of March 2023 but it actually pertains to April 22 then a record will be maintained of when the following entry was passed i.e March 2023 and the actual period it pertains to i.e. April 2022.

To put it simply, we are all moving into an era where we are ourselves going to implant a CCTV camera in our accounting systems, be it to comply with the government regulations or to improve transparency in the financial reporting.

Considering that the date of implementation of such software is approaching soon, we request you to immediately gear up your accounting software in order to ensure compliance with this requirement.

Additionally, The Finance Act 2023 was passed by the Lok Sabha yesterday. Following important changes have been approved besides the changes proposed at the time of the budget: ([click to read more](#))

[>Taxation of Non-Equity Mutual Funds](#)

[>Taxation of REITs & InVITs](#)

[>Tax on Royalty & Technical Fees](#)

[>Hike in STT on F&O Transactions](#)

[>Marginal Relief under New Tax Regime](#)

[>TCS on Foreign Remittances](#)

**Team BMPA**

***Let's do more!***

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