

Financial Policy of IMAGIN



24/8 S.S.Sen Road, Berhampore,
District: Murshidabad, West Bengal
Pin: 742101

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1. **Philosophy** :The purpose of financial management in the operation of all activities of the organization is to fulfill the organization's mission in the most effective and efficient manner and to remain accountable to stakeholders, including clients, partners, funders, employees, and the community. In order to accomplish this, certain definite rules and regulations are to be followed in various aspects of financial management , accounting and control and these have been set out in this policy document.
2. **Authority** : The Board of Trustees is ultimately responsible for the financial management of all activities. The Treasurer is authorized to act on the Board's behalf on financial matters when action is required in advance of a meeting of the Board of Trustees.
3. **Internal Control** : Internal Control is one of the essential pre-requisite for efficient, effective and reliable management. Internal Controls can be broadly classified to two categories : Accounting Controls and Administrative Controls .

(a) ACCOUNTING CONTROLS

These are primarily designed to safeguard the assets , ensure reliability of accounting and financial information and enable maintenance of reliable financial records of the organization.

Implementation of accounting controls involve designing of the organization's system, procedures and records in a manner that :

- The transactions are executed in accordance with the management's authorization

- All transactions are promptly and correctly recorded in an appropriate manner to permit the preparation of financial information and to maintain accountability for assets.
- The access to assets is permitted only in accordance with the management's authorization .
- The assets are verified at reasonable intervals and prompt and appropriate action taken in case of exceptions.

(b) ADMINISTRATIVE CONTROLS

These include all other managerial controls concerned with the implementation of decision taken. They include operational controls such as budgetary controls, periodic reporting, internal checks and policy appraisals. Periodic evaluation of cost-benefit relationships of varying levels of control procedures are made by the management.

The basic intention is the establishment of a sound and reliable financial and accounting system that helps to keep accurate accounts and records that substantiate all expenses ,incomes, assets and liabilities. This further help to submit timely, accurate financial information to external sources and the management.

Internal check is sought to be achieved by ensuring that no single person is responsible for executing any transaction in its entirety but the arrangement is made in such a manner that one's action is reviewed or checked by another and the system cannot be defeated unless all those involved in the transaction enter into some collusion. This is achieved by delineating duties in an appropriate manner.

e.g. the person authorizing a payment should be different from the one making the payment ; further the person making the payment should not be the one making accounting entry for the same.

Various internal control measures are referred in the respective sections and have not been mentioned separately in this section.

(c) ROLE OF AUDITORS IN INTERNAL CONTROL

Internal / external auditors carry a vital role to ensure that internal controls

are adequate and effective.

They carry out their work in order to :

- Determine whether the organization's overall internal control system is adequate, effective and efficient
- Determine the adequacy and reliability of the accounting, financial and reporting systems and procedures.
- Determine that activities of the organization conform to organizational policies and procedures ,statutes and regulations ,contractual obligations and good business practices.
- Determine the extent to which organizational assets are accounted and safeguarded from losses of all kinds and verify their very existence
- Evaluate operational procedures to determine whether results are consistent with established objectives and goals and whether the procedures are carried out as planned.

4. Financial Propriety: All expenditure of the organization shall be guided by high standard of financial propriety. Emphasis shall be given on the following principles.

(a) Every person of the Organization is expected to exercise the same vigilance and care in respect of expenditure incurred as a person of ordinary prudence would exercise in respect of expenditure of his own.

(b)The expenditure should not be prima facie more than the realistic and should be within the approved budget under the specific head of account. For expenses exceeding budgets, it is preferable to revise budget or get such expenses ratified with prior intimation to the concerned authority/donor.

(c) No personal benefit or profit should be expected to be derived from any expenditure while exercising power of approval or payment.

(d) The following indicators should be considered while taking decision for any purchase or procurement of any material for the Organization:

- i. Purchase / Service is essentially required in the interest of the organisation.

- ii. Proper market evaluation is made before procurement of Articles or Services.
- iii. Invitation of quotation will depend on the volume of procurement to be made.
- iv. The offer price is accepted after taking into consideration all relevant factors and maintaining the high standard of financial propriety.
- v. The quality and value added service would be considered during acceptance of quotation.
- vi. Purchase of fixed assets from reputed vendors well known for their brands will not require quotation.

5. Budget : The organization shall draw a budget every year for carrying out development activities with a view to achieve the set out objectives for which it was established. The budget shall be prepared by setting the goal, objectives and broad activities of each and every segment of the organization. The yearly budget will include individual projects which may have definite sources of funding or would have to be financed by the organization itself. After the yearly budget has been drawn, monthly Cash Flow statements would be drawn on an overall basis for the sections covering the individual projects.

6. Cash Management : Cash management is an important tool and technique of financial management. The following aspects of internal control procedure shall be kept in mind relating to handling of finances:

(a) The function of approving the payments, writing cheques, making online payments, handling the cash and making entries in the books of account should be clearly demarcated and effected by different persons to the extent possible, to ensure adequate and effective internal control.

(b) Transactions should be recorded daily.

(c) Cash in hand as per books of accounts shall be reconciled daily with the book balance/Physical cash balance.

(d) At periodical intervals cash to be verified by a person in a position higher than the cashier (Finance Head of the Unit or the Unit Head). This can be surprise verification for more effectiveness.

(e) The organization shall ensure that whenever cash is deposited to the Accountant, that is so done under a valid original "Cash Receipt".

(f) No cash will be disbursed for any expenditure which was not budgeted and not included in the Cash Flow Plan.

(g) Any expenditure proposed to be incurred without having a provision in the budget, will require prior approval of the Director or an official duly authorized by him in writing.

(h) Cash will always be kept in a safe or locked almirah under the dual charges of the Cashier. To ensure this system double lock safe is to be used in the cash section.

(i) Retention of Cash balance shall not be more than 7 days average requirements.

(j) All cash collections shall be acknowledged promptly by issuing serially numbered printed "Cash Receipt" duly signed by the Cashier. Original "Cash Receipt" shall be issued to the payee and the carbon copy (counterfoil) shall be kept in the "Cash Receipt" Book as evidence for accounting, monitoring and auditing. All collections over Rs.5000 (Rupees five thousand only) shall be acknowledged by affixing Revenue Stamp. If it is not so done on account of unavailability of revenue stamp, revenue stamps to be affixed on that whenever it is available later. For cash donations, no cash donation exceeding Rs. 2,000 to be accepted. In case such a donation is accepted, the donor will not be entitled to obtain 80G tax benefit.

(k) The Cashier shall disburse cash from general fund or sub fund/project account to which the payment relates only against the bill / cash memo duly approved by the Project Coordinator and/or Director. Such cash payments to be restricted to Rs. 5,000/-. In case of disbursements under the Foreign Contribution Section, all withdrawals from bank and cash payments are limited to Rs. 2,000 only.

However, for all practical purposes, cash payment to be limited to the minimum and to be so done for essential purpose only. Use of account payee cheques/drafts and secured online payment are preferred for payments to outside agencies or parties or in case of salaries. Use of account payee cheques or online payments may be diluted under exceptional circumstances after obtaining approval from the Director.

(l) Daily Cash balance must be reconciled with the balance as per Projects A/cs every day.

(m) Cash deposit & cash withdrawal will be under full responsibility of the Cashier. If the Cashier is not available, the local head of office will depute a suitable staff as replacement.

7.Management of Bank Accounts:

The following aspects are to be observed while conducting the banking operations:

- a) General Fund account as well as all the sub funds/Project Accounts to be opened in a Scheduled Bank and be operated by any two members of the Trustee Board.
- b) Separate bank accounts for project related operations to be opened , wherever necessary, after observing due formalities.
- c) A Register or formal record for cheques and online payments shall be maintained by the Accountant. Whenever any amount is required to be drawn or any cheque is required to be issued or online payment is to made , the Accountant shall write a short note regarding the expenditure in the Register, enclose the bill together with the Cheque/online payment and submit the same to the signatories who will verify the bill, read the note and while signing the cheque or rendering approval to the online payment will also sign the Register. In case of electronic fund transfer like NEFT etc. records to be maintained likewise by keeping a print of the payment made.
- d) Generally all payments should be made by account payee cheques or through electronic transfers. (Cash payments till Rs. 5,000 can be made as mentioned under the above cash section)
- e) Cash withdrawal from respective bank account is permitted only after receiving Requisition slip, the estimated expenditure of which should tally with the projected expenditure shown in the Cash flow Plan.
- f) The Accountant will reconcile the bank balance of each bank every month and initiate appropriate corrective action whenever necessary.
- g) Surplus fund in bulk immediately not required for operational/-running expenditure should be kept in bank fixed deposits or other modes of statutorily permissible investments only after due approval by the Board of Trustees. A Register or formal record of all such investments made to be maintained with details like date of purchase or investment, mode or instrument , cost price , date of switch over or sale etc.
- h) All Cheque book should be kept under the custody of the Accountant.
- (i) A Register or formal record of all receipts from projects, donations or other income to be maintained with all necessary details like date of receipt, mode,

purpose, person or body making the payment, amount etc. In case any statutory deductions have been made from such payments, such deductions to be examined for their appropriateness and accounted thereafter .

For receipts for project work executed a detailed statement of specific service related payment with all deductions , gross amount and net amount to be obtained and reconciled with actual.

8. Advances :

- a) Documentation- Every advance granted to any staff member will be on the basis of a valid requisition (filled up requisition format with appropriate approval and other required details). Money receipt to be taken from the person taking the advance. A requisition based on which cash is released to be attached with the voucher and a copy to be presented to accounts at the time of settlement.
- b) Administration: Every staff is eligible to receive one advance for any one specific programme/ project on the basis of action plan and approved budget. The approved advance for one purpose is not allowed to be utilized for any other purposes. The advance money will not be adjusted with the advance of any other person. In case of any deviation in the process a prior approval has to be taken from the level of Regional Manager and above.
- c) A list of outstanding advance with the staff is to be prepared at the end of every month and displayed in the accounts section of the respective units. A copy of the same will be forwarded to RegionalManager/Unit Head.
- d) Accounting- To record settlement of advances, advance amount taken is to be credited and bill debited as per normal practice and the difference between the two amounts is to be adjusted by deposit of cash.

9. Project Closing :

- A. At the end of a project, it is generally found that there is a small deficit or surplus from the project closed. Appropriate Board of Trustees' resolution

is to be obtained to transfer the balance fund to the General fund with adequate documentation.

- B. In case of fixed assets of such projects, those will be governed by the relevant terms of grant. If so allowed, those will be transferred from the relevant project to the general section or continued to be held with the project if grant condition do not permit such takeover.

10. (A) Salary and (B) Consultancy or Service :

(A) There will be a master salary register/sheet which will be analytically prepared with details of funding and project details uniformly. Initial disbursement for all projects are to be made and payments and accounting done likewise. All adjustments are to be made in the master sheet. The authority, however, can adopt some other procedure in the event of special/specific reimbursement. Important aspects to be followed are :

- i. Salary will be paid to the staff appointed by the organization.
- ii. Contract / agreement will be executed or Letter of appointment will be issued by the Secretary / Director to the concerned staff stating his / her pay, job description, duties and responsibilities leave rules etc, a copy of which should be forwarded to the respective finance section.
- iii. Personnel Service File for each of the staff shall be maintained.
- iv. Every staff shall sign the Staff Attendance Register at the time of coming into and going out from the office.
- v. Salary to the staff will be paid through Salary Register or Salary sheet.
- vi. The Salary Register or sheet will be ready by 25th of every month. Each column of the salary register or sheet will be totaled horizontally as well as vertically so that net salary amount tallies in both ways. The Accountant will write the net salary amount in words also and to put his signature on the salary register / sheet. The register should be placed before the Secretary for approval through the head of local finance section.
- vii. Statutory deductions such as Income Tax, Profession Tax, and other deductions like excess leave (Which should be governed by service rule) etc, shall be made as per rules from the salary of the respective staff before its disbursement.
- viii. Each staff shall receive the salary after signing the Salary Register.

ix. Statutory deduction collected from the employees should be deposited to the bank within the stipulated due dates.

(B) Consultancy and service: For all professional services required by the organization , an agreement to be entered with the concerned professional which will clearly depict the nature of professional services required , deliverables, time limits, consideration involved and other necessary terms and conditions including terms of payment.

After completion of the service, formal invoice to be obtained , checked with the terms of contract or agreement and passed accordingly. Necessary payment with applicable statutory deductions to be made only after due approval by the Director.

Similarly, in case any requirement for services of general nature , formal agreements to be made depicting the nature of service required, time period over which this service is required , accomplishments ,consideration and mode of payments.

In such cases where services have been rendered, the accountant should prepare the necessary voucher , pass the same by following due procedures and make payments after approval or authorization.

11. Financial Discipline : In case of certain important heads of expenditure, the procedure to be followed are as follows:

A) Electricity Expenses:

- i. The meter reading noted in the bill is to be verified and it is to be ascertained that the bill amount is consistent with the last payment. In case there is an abnormally high amount charged which merits special/immediate attention, adequate follow up measures should be initiated with the Power supply concern.
- ii. Payment of electricity bill shall be made by A/c payee Cheque or online before the due date to avail rebate.

B)Telephone, Fax, email expenses:

- i. The bill amounts are to be verified and checked that it is consistent with the last payment. In case of an abnormally high amount charged

which needs special/immediate attention, appropriate follow up measures should be initiated with the telephone authorities.

- ii. Fax and email shall be made for official purpose only. The email password should be kept confidentially and will not be used unless authorized by the appropriate Authority.

C) Property Tax to Government /Panchayat / Municipal Authority

The organization shall pay the notices / demand of the Property Tax to be paid to Government / Panchayat / Municipal authority as the core may be is received / collated in time. All action shall be taken to pay the dues on time so that rebate can be availed. Records of such payment should be kept safely period wise for future reference.

D) Printing:

i.Printing of Vouchers, Cash Memo, bills, cash receipts, forms, registers, etc shall be made on receipt of Requisition by the Accountant from the Stationery in Charge. When the level of stock comes down, arrangement shall be made to procure or print the concerned materials by taking appropriate action in conformity with the purchase rules of the organization.

ii.Quotation shall be invited asking rates of printing and delivery with giving specification, quantity, quality of the materials, delivery time, last date of submission of quotation, etc. (where possible with sample to be printed).

iii.A contractor / supplier can be selected only after receipt of at least 3 quotations. Offer quoting lowest price / cost should be accepted and work / supply order to be placed.

However, in exceptional cases, a rate higher than the lowest one can be accepted where it is absolutely necessary. In such case the reasons are to be stated in writing on the comparative statement under signature of the official who invited the quotation. Such recommendation should go to the

Director for final approval. If the proposal is approved by the Director, procurement at a higher rate can be made.

iv. Payment through A/c Payee Cheque or online will be made after verifying that the printed materials have been checked, verified and received in good condition by the stationery in charge / storekeeper.

E) Travelling Bill:

All Traveling bills shall contain the following details:

- Duty Schedule
- Place from where travel begins and place where it ends.
- Mode of travel
- Duration of travel
- Details of expenditure supported with documents wherever applicable.
- Approval of the higher authority sanctioning the tour.

In case of travel undertaken for project work the terms and conditions of the relevant projects would have to be honored.

F) Repair & Maintenance:

- i) Repair of assets (Building, furniture, fixture, computers office equipment etc) shall be done after receiving report from the respective staff under whose custody the asset is kept and after getting it technically verified separately.
- ii) It is worth while to enter into an AMC after verifying the rate from different agencies.
- iii) Payment under this head should be made by A/c Payee Cheque or through the online mode .

G) Vehicle running & Maintenance Charges:

i. Due economy measures should be maintained in respect of repair and maintenance of vehicles of the organization. Vehicles shall strictly be used for official purpose only.

ii. In case of major repair works or purchase of any vehicle parts formalities as per Para 11 (F) (ii & iii) along with the provisions of purchase rules of the organization should be followed.

iii. Old parts replaced must be returned to office for suitable disposal by the authority.

iv. Proper maintenance of vehicle should be ensured. Payment of taxes, insurance premium, and renewal of driver's license must be done by the due dates to avoid fine and penalties or legal action.

v. Milometer of the vehicle shall be kept in running condition. One Logbook for each vehicle should be maintained, which will besides other things contain the date and cost of maintenance also and a monthly assessment of consumption of fuel, repair & maintenance and use shall be done to monitor the economy of maintaining the vehicle.

vi. Whenever any fuel or lubricating oil is filled in, the Driver will enter the kilometer reading and quantity of fuel in the Logbook and also write the kilometer reading on the face of the bill/ cash memo which is to be submitted to the cash section for payment.

vii. When the driver takes the car out of garage, he will check the meter reading and record the kilometer in the vehicle's logbook. He will fill up the logbook for every journey undertaken with name of the user, place of journey, purpose of journey, kilometer covered and get the signature of the user before he descends from the vehicle.

viii. The Driver will record the kilometer reading of the vehicle in log book after parking the vehicle in garage. And on the next day when the vehicle is taken out of garage he will verify the kilometer reading of the previous day with the log book.

H) Car Hire Charges:

- i. Only authorized representative of the organization is eligible to hire a car if the official vehicle is out of order or engaged in other official duty and there is necessity of another or more vehicles in the interest of the official work.
- ii. The charging pattern of rate of vehicle engaged regularly for programme purpose should be verified with at periodical intervals.
- iii. Duty slip of the vehicle with necessary details duly signed by the user together with the bill shall be presented for payment.
- iv. Payment should be made preferably by A/c Payee Cheque or online and Money Receipts should be obtained against the payment.
- v. One or more agency can be fixed yearly for the purpose of taking vehicle on hire after formal comparison of rates to find out the lowest.

I) Rendering bills for program / other expenses:

i..All bills / cash memos (for reimbursement / adjustment) should be in original and must be trustworthy.

ii.Kuccha bills should be avoided as far as possible. In case of difficulty in getting printed bills / cash memo in rural areas, the following information should be in the document:

- Name and address of the person who is receiving the money.
- Amount paid to be written in figure and words also.
- Purpose of payment (with number, quantity, weight, etc in details).
- Signature of the payee must be in the voucher
- Certificate from the person making payment as 'that the payment was actually made and no Pakka cash memo could be obtained'.

- Such bill should be countersigned by the authorized official.

iii. In case of bill / cash memos are for expenditure of any meeting / seminar/ workshop /training etc the following additional information should be furnished.

- A brief description of the meeting / workshop / seminar / training etc stating its venue, subject, duration, number of participants, name of resource persons .
- The list of participants with their signatures should be attached.
- In case the amount paid for any food expenses detailed break up should be given e.g. number of heads, cost per meal, number of meals per day, number of days.
- A detailed record of the business done in such programme should be maintained.
- In case where any bulk quantity of item is to be procured the estimated cost of which is more than Rs. 5000/-, formal quotation, with due publicity, should be invited stating therein the last date of submission of the same and also quantity , specimen and details of each materials, need to be procured. On receipt of quotation, action to be taken as per guidelines given in this regard. While it is reasonable to accept the lowest offer, discretion may be exercised in consideration of the quality and other factors relating to such supply. In such cases reasons for accepting the higher offer should be noted in brief.
- All payments to third parties shall be made preferably by A/c payee Cheque or through the online mode.
- Payments of bill shall be supported by Money Receipts.
- Signature of the actual recipient shall be obtained when the amount is paid to him. Otherwise letter of authority to be obtained if paid to any representative.

12. Acquisition of Assets & Properties:

i.Assets should be acquired after observing the procedure of inviting quotations and follow-up action as per rules. Due publicity should be given in this regard for fair participation by the supplier / contractor. In case of acquiring or constructing immovable property, prior approval of the Board of Trustees is to be obtained. In case of assets procured for projects , other conditions set out in the grant agreement are also to be observed.

ii.Each moveable asset is to be marked by allotting a distinctive identification Number and to be grouped up in appropriate sub heads.

iii.Fixed Asset Register should be maintained, main and sub head wise stating the name of the asset, identification number, location, date of purchase, name of the supplier, bill number, cost price, depreciation, disposal value, scrap value (if it has been rendered obsolete) and WDV.

iv.If movable asset is acquired through donation, Gift, a deed to that effect should be prepared in non-judicial stamp paper stating the market value of the donated property where the donor and the donee shall sign. Necessary resolution regarding the donated asset should be passed in the meeting of the Board of Trustees. Appropriate accounting entry shall be made through the books of accounts of the organization accordingly.

v.If immovable property is acquired through donation, gift, an appropriate deed should be prepared declaring the value of the property and the deed should be registered in the name of the organization after paying the requisite amount of stamp duty. Necessary resolution regarding the donated property should be passed in the Board of Trustees meeting. Appropriate entry shall be made through the books of accounts of the organization accordingly. A Fixed assets register and a land register should be maintained.

vi.Depreciation to be calculated at rates provided by the Income Tax and the W-D-V method of depreciation will be applicable.

vii.Fixed Assets should be physically verified by the organization once in a year. Material discrepancies noticed, if any should be reconciled and dealt

with properly in the books of accounts after finding out the cause of such discrepancy.

viii. In case of disposal of fixed assets, prior approval of the Board of Trustees to be obtained and necessary adjustments made in the books of accounts and register. In case of disposal or transfer of fixed assets, additional conditions if any was imposed by the donor for project related assets to be followed.

13. Programme and Financial Monitoring

Periodical monitoring of program as well as finance & Accounts shall be done through the process of comparing actual performance against the desired result. Remedial actions shall be taken if major deviation (more than 10%) is detected. The monitoring process shall indicate as to whether the programs are being carried out as per plan to achieve the objectives. It will also specify as to whether the programs are being implemented as per work plan and whether the expenditure are being carried out as per budgeted projections as well as cash flow plan and in conformity with the financial rules and regulations.

The treasurer or any authorized person shall monitor not only the physical activities of the organization but also its financial transactions at regular intervals. He shall provide adequate feedback about the status of the activities as well as of finance of the organizations to the Trustee Board. The organization shall take corrective measure if found necessary to gear up the activities as per findings and directions of the Trustee Board.

14. Statutory Audit

- A. The Accounting year of the organizations shall be a period of twelve months from 01st April to 31st March. The Accountant shall prepare the financial statements of the organization for every financial year by the end of May of the following the Financial Year. The Financial statements will have to be audited by a practicing firm of Chartered Accountants and the audit report of the previous financial year shall be obtained by July every year.

The organization shall submit the audited statement of accounts together with the auditor's report in the AGM in which it will be discussed and passed.

- B. The appointment of auditors of the organization and fixation of their remuneration shall be made every year in the AGM.

15. Maintenance of Books of Accounts :

- A. Accounting is an important aspect of Financial Management system. It would facilitate to ascertain a true and fair financial status of the activities of the organization. The books of accounts shall be maintained under the double entry system of accounting.
- B. A chart of agreed upon accounting heads will be drawn in conformity with the activities of the organization. The accounting heads will be designed in accordance with the main heads and sub heads reflected in the budget as well as in the cash flow plan. To facilitate financial monitoring system to evaluate actual achievement with that of the projected targets and necessary remedial measures to be suggested to ensure that the program and finance move in the right direction.

C. Accounting Procedure:

A simple but transparent system of book keeping and accounting system shall be implemented at every level of the organization and these should be done keeping in view the various provisions of different applicable statutes. The following are the guiding principles for maintenance of accounts.

- i. All collections shall be acknowledged (through printed numbered receipt book as far as practicable) forthwith and to be entered in the books of accounts immediately.
- ii. No person shall incur any expenditure or enter into any transaction which creates liability unless such expenditure or transaction, as the case may be is already incorporated in the budget and prior approval taken.
- iii. Payment should be made on production of proper bills / cash memos. In rural areas kuccha bill may be obtained for which adequate caution to be followed as stated earlier. Such bill should be properly certified.

D. The following *books* of accounts shall be maintained:

- I. Cash book (double column with cash & bank)
- II. General Ledger
- III. Personal Ledger (for monitoring the movement of individual advance)
- IV. Journal Register

E. A separate set of accounts and records shall be maintained exclusively for foreign contribution received and utilized and the books of accounts like Cash Book and Ledger will also be separately maintained for this section. A separate designated bank account approved by the Ministry of Home, FCRA section, shall be maintained to receive such contribution.

F. The following financial statements and schedules shall be prepared at the end of every financial year.

- i) Receipts and Payments Accounts
- ii) Income and Expenditure Accounts
- iii) Balance Sheet
- iv) FC4 with financial statements (only for foreign contribution)
- v) Schedule of Advances
- vi) Schedule of Fixed Assets
- vii) Schedule of Investments
- viii) Schedule of expenditure/payments of individual project
- ix) Schedule of receipts/income from various sources/heads
- x) Bank Reconciliation Statement

16. STATUTORY OBLIGATIONS :

Statutory obligations involve effecting certain deductions and depositing such deductions ; submission of returns ; furnishing of certificates and filing reports with appropriate statutory authorities.

In respect of certain nature of payments , statutory deductions have to be made and these are required to be deposited with the authorities within specified time limits. Deductions for Professional Tax and Provident Fund are made for salary payment to employees. Income Tax is deducted at source if the salary exceeds

specified limits. Such deductions made have to be deposited with different statutory authorities within specified time limits. Similarly in case of payments to professionals and service providers, Income Tax is required to be deducted at source in case such payments exceed specified limits provided these are in the nature of payment to professionals, contractors , sub contractors or for rent on buildings , furniture etc. Deductions are made at specified rates and are required to be deposited in time. Besides , quarterly or annual returns are to be submitted also in all such cases of deductions and deposits. Certificates for deductions made and deposited have to be provided to the persons from whom such deductions have been effected.

In respect of deduction of tax from salary , all employees who are liable to be assessed to tax are required to submit a self declaration at the beginning of the financial year stating his/her own salary and other income chargeable to tax during the financial year and the projected investment in tax deductible avenues. Based on such declaration, monthly tax deductions , if so required , are made by the accounts section. Evidence of tax exempted investments have to be furnished within the second last month of the financial year.

If an employee joins the organization during the financial year , he is additionally required to furnish either Form 16 or salary certificate for salary received from previous employer/s during that year along with a declaration of income from other sources. Based on such submission , tax deduction is computed.

Other than the above , applicability of specific laws to formation and registration of the organization may necessitate filing of returns/reports to such authorities in the specified form and time as required by such statutes.