

○ Brief Overview of Underlying Law

CONDITIONS FOR EXEMPTION

- ◉ The trust must be registered under the Income Tax Act.
- ◉ if total income of trust exceeds MNCT without taking exemption u/s 11/12
 - (a) The trust must maintain its books of accounts and other documents as prescribed in Rule 17C.
 - (b) The trust must get its accounts audited and furnish report of audit at least one month prior to due date of ITR.
 - (c) If any of above condition is not met then section 13(10) shall apply.

CONDITIONS FOR EXEMPTION

- The trust must file its ITR by due date or belatedly else section 13(10) shall apply.
Updated return will not bring exemption.
- Trust money shall always be kept invested in one or more of the modes specified in section 11(5)

APPLICATION OF INCOME

- The trust shall apply 85% of income derived from property held under trust. Trust may set apart 15% of income derived from property held under trust for future use without filing any form. The set apart will be lower of surplus in I/E or 15% of Gross donations. Many people in I/E show surplus at say 10% of GD and in ITR put 15% as set apart. This is totally wrong please note.
- In arriving at 15% total of VCs in section 11 and 12 will be counted
- Corpus donations will be out of this 15%.

APPLICATION OF INCOME

- If in any year application falls short of 15% due to non receipt of income or for any other reason then trust may file form no. 9A at least 2 months before due date of ITR.
- In that case the amount mentioned in form no. 9A will be treated as deemed application in year of accrual provided:
 - (a) It is applied in year next to that-Where for any other reason application falls short of 85%
 - (b) It is applied in year of receipt or year next to that-Where due to non-receipt application falls short of 85%
 - (c) If it is not applied as above then it will be taxed in the year following year of accrual in case (a) and in year following year of receipt in case (b).

APPLICATION OF INCOME

- If trust is required to deduct tax on any payment to any resident and fails so to do or after deducting fails to remit it to govt by due date of ITR then 30% of sum paid will not be allowed as application of income.
- If trust makes any payment in an amount exceeding Rs. 10000 by any mode other than mode specified in section 40A(3)/(3A) for any expenses then 100% of sum so paid will not be allowed as application.
- No depreciation will be allowed on FA the cost of which has been taken as application of income.
- Sum payable at year end will not be treated as application it will be allowed in year of payment.

APPLICATION OF INCOME

- Out of CY income any sum paid to trust registered u/s 12A or approved u/s 10(23C)(iv)/(v)/(vi)/(via) as corpus donation shall not be treated as application of income.
- Out of corpus donations no application can be made towards regular expenses. Corpus can be utilised only for the purpose for which it is received.
- If the corpus donation is re-deposited in forms specified in section 11(5) then in the year of re-deposit it will be treated as application provided certain conditions are fulfilled.

CORPUS DONATION U/S 11

- ◉ Corpus donations are exempt u/s 11(1)(d). Now, this exemption is subject to condition that such corpus donations are kept invested in modes specified under section 11(5) maintained specifically for such purpose.
- ◉ There shall be specific direction from donor in this regard
- ◉ The donor alone can give a specific direction that the donation made by him shall form part of the corpus of the trust.
- ◉ Trustees have no power to treat in their discretion any donation as corpus donation.
- ◉ Corpus donations being capital receipt in the hands of the recipient trust are not income of the trust.

CORPUS DONATIONS-TRUSTS

- ◉ Application towards charitable or religious purposes out of corpus not to be treated as application of income.
- ◉ If so utilised then any re-deposit or investment in specified modes u/s 11(5) towards corpus to be treated as application of income in the year of such deposit and to the extent of deposit out of income of that year if such utilisation is made on or after 1-4-2021. If corpus donations were utilised prior to 1-4-2021 then re-deposit will not be treated as application of income.
- ◉ Finance Act, 2023 has further tightened the noose.

CORPUS DONATIONS-TRUSTS

- ◉ FA, 2023 provides that replenishment shall be treated as application only if in the year of utilization following conditions are satisfied:
- ◉ 1. No corpus donation is made to trusts approved/ registered u/ss 10(23C)(iv)/(v)/(vi)/(via) or section 12AA/12AB
- ◉ 2. No violation of 40(a)(ia)/40A(3) took place
- ◉ 3. No benefit to persons referred to in section 13(3)

CORPUS DONATIONS-TRUSTS

- ◉ Calculation of income required to be applied or accumulated during the previous year has been made without any set off or deduction or allowance of any excess application of any of the year preceding to the previous year
- ◉ No expenses have been kept *payable*
- ◉ the amount invested or deposited back shall not be treated as application for charitable or religious purposes unless such investment or deposit is made within a period of **five years** from the end of the previous year in which such application was made from the corpus or out of loan or borrowings.

CORPUS DONATION TO OTHER REGISTERED TRUSTS

- ◉ Corpus donations out of current year's income to any trust regd u/s 12AA, 12AB, 10(23C)(iv)/(v)/(vi)/(via) not allowed. If done not to be treated as application of income
- ◉ Out of accumulated income- No
- ◉ if done out of accumulated income then tax will be levied-Discussed Infra-115BBI

LOANS AND BORROWINGS

- ◉ The application for charitable or religious purposes, from any loan or borrowing, shall not be treated as application of income for charitable or religious purposes. It is provided that the amount not so treated as application or part thereof, shall be treated as application for charitable or religious purposes in the previous year in which the loan or borrowing, or part thereof, is repaid from the income of that year and to the extent of such repayment.
- ◉ New conditions imposed by FA, 2023. Similar to Corpus Donations case.

INTER-TRUST DONATIONS

- Trusts can make donation to similarly registered trusts out of current year's income
- FA, 2023 has provided that from AY 2024-25 if donation is so made then 85% thereof is only to be treated as application of income.

INTER-TRUST DONATIONS

- ◉ *Explanation 2* to section 11(2) provides that where any amount credited or paid, out of accumulated income, to any other trust or institution registered under section 12AA or section 12AB or to any fund or institution or trust or any university or other educational institution or any hospital or other medical institution referred to in section 10(23C)(iv)/(v)/(vi)(via) then such credit or payment shall not be treated as application of income for charitable or religious purposes, either during the period of accumulation or thereafter.
- ◉ If the sum is so paid then the amount involved will be taxed at flat rate under section 115BBI.

INTER-TRUST DONATIONS

- As per Explanation 2 to section 11(1) any amount credited or paid, out of income referred to in clause (a) or clause (b) of section 11(1) read with Explanation 1 (i.e., current year's income) to any fund or trust or institution or any university or other educational institution or any hospital or other medical institution referred to in sub-clause (iv) or sub-clause (v) or sub-clause (vi) or sub-clause (via) of clause (23C) of section 10 or other trust or institution registered under section 12AA or section 12AB being contribution with a specific direction that it shall form part of the corpus, shall not be treated as application of income for charitable or religious purposes.

INTER-TRUST DONATIONS- SUMMARY

- ⦿ 1. out of accumulated income- No
- ⦿ 2. Out of current year's income for Corpus- No
- ⦿ 3. Out of current year's income as normal donation-Yes, but only 85% will be treated as application and 15% will be taxed.

DEFICIT

- The Finance Act, 2021 has inserted an Explanation 5 to section 11(1) so as to provide that the calculation of income required to be applied or accumulated during the previous year shall be made without any set off or deduction or allowance of any excess application of any of the year preceding the previous year.
- Therefore, excess of application of income over the income of trust of earlier years could not be brought forward and claimed as application of income of current year. This position is effective from the assessment year 2022-23.
- Similar provisions are incorporated for the purposes of section 10(23C)(iv)/v/vi/via
- FY 2021 to 2122 but 2122 to 2223 No

CAPITAL GAINS OF CT

- ◉ Capital asset is transferred (Assessee can follow 11(1A) or normal route)
- ◉ If 11(1A) is followed
- ◉ Held under trust wholly for charitable or religious purposes
- ◉ Whole or part of net consideration is used in acquiring another capital asset to be so held
- ◉ the capital gain arising from the transfer shall be deemed to have been applied to charitable or religious purposes to the extent specified hereunder, namely—
- ◉ (i) where the whole of the net consideration is utilised in acquiring the new capital asset, the whole of such capital gain;
- ◉ (ii) where only a part of the net consideration is utilized for acquiring the new capital asset, so much of such capital gain as is equal to the amount, if any, by which the amount so utilized exceeds the cost of the transferred asset

CAPITAL GAINS OF CT

- Investment in fixed deposit is considered as an investment in Capital Asset. The CBDT instruction no. 883, dated 24.09.1975, specifies that, such fixed deposits should be for 6 months or more. But, various High Courts have held that, such 6 months time limit is legally not valid. The nature of asset is important and not the time frame.

CAPITAL GAINS OF CT

- ◉ Capital asset is transferred
- ◉ being property held under trust in part only for such purposes, is transferred and the whole or any part of the net consideration is utilised for acquiring another capital asset to be so held, then the appropriate fraction of the capital gain arising from the transfer shall be deemed to have been applied to charitable or religious purposes to the extent specified hereunder, namely :
 - ◉ (i) where the whole of the net consideration is utilised in acquiring the new capital asset, the whole of the appropriate fraction of such capital gain;
 - ◉ (ii) in any other case, so much of the appropriate fraction of the capital gain as is equal to the amount, if any, by which the appropriate fraction of the amount utilised for acquiring the new asset exceeds the appropriate fraction of the cost of the transferred asset.

CAPITAL GAINS OF CT

- ◉ cost of the transferred asset means the aggregate of the cost of acquisition (as ascertained for the purposes of Sections 48 and 49) of the capital asset which is the subject of the transfer and the cost of any improvement thereto within the meaning assigned to that expression in sub-clause (b) of clause (1) of Section 55
- ◉ Whether indexation will be allowed.

CAPITAL GAINS OF CT

- ◉ cost of the transferred asset means the aggregate of the cost of acquisition (as ascertained for the purposes of Sections 48 and 49) of the capital asset which is the subject of the transfer and the cost of any improvement thereto within the meaning assigned to that expression in sub-clause (b) of clause (1) of Section 55
- ◉ Whether indexation will be allowed where capital asset acquired prior to 23.07.2024.

CAPITAL GAINS OF CT

- If the entire net consideration is used to acquire new asset then there is no difficulty as nothing will be taxable (Section 11(1A)(a)(i) of the Act). When cost of acquisition and improvement of the asset transferred is say Rs. 10 lakhs, the net consideration is say Rs. 20 lakhs and the cost of the new asset is Rs. 11 lakhs then Rs. 1 lakh will be deemed as income applied for charitable purposes under section 11(1A) of the Act (Section 11(1A)(a)(ii)). If the cost of acquisition of the new asset is only Rs. 10 lakhs or less than the benefit of exemption under section 11(1A)(a) of the Act cannot be availed of.

CAPITAL GAINS OF CT

- ◉ The provisions of section 11(1A)(a)(ii) of the Act contemplates a computation of capital gain under the normal provisions of the Act. This is clear from the expression used in section 11(1A)(a) of the Act which refers to "where a capital asset, being property held under trust wholly for charitable or religious purposes, is transferred and the whole or any part of the net consideration is utilised for acquiring another capital asset to be so held, then, the capital gain arising from the transfer". So also section 11(1A)(a) (ii) of the Act which uses the expression "so much of such capital gain". The expression capital gain or the mode of computation of capital gain has not been defined for the purpose of section 11(1A) of the Act and therefore the normal expression capital gain and the computation of such capital gain as laid down in the provisions of section 45 to 55A of the Act will apply. For determining the quantum of capital gain which will be deemed to be application of income for charitable purpose and become eligible to get exemption under section 11(1) of the Act, the provisions of section 11(1A) of the Act have to be applied.

CAPITAL GAINS OF CT

- The expression "Cost of the transferred asset" is defined in Explanation (ii) to section 11(1A) of the Act, and it lays down that "Cost of the transferred asset" means the aggregate of the cost of acquisition (as ascertained for the purposes of section 48 and 49) of the capital asset which is the subject of the transfer and the cost of any improvement thereto within meaning assigned to that expression in sub-clause (b) of Clause (1) of Section 55. Thus, the difference between the capital gain utilized in acquisition of new assets and the indexed cost of acquisition should be considered as application of capital gain for charitable purpose which would be entitled to exemption income under section 11(1) of the Act.

CAPITAL GAINS OF CT

- ◉ (d) The capital gain to the extent not utilized for acquiring new asset, will be considered as income of the trust and all consequences like accumulation etc., should be allowed.
- ◉ (e) It is clear from the decision of the Hon'ble Calcutta High Court in *CIT v. East India Charitable Trust* [1994] 206 ITR 152 / 73 Taxman 380 (Cal.) that capital gain is also income of the trust and section 11(1A) of the Act is not the only way in which capital gain has to be applied for charitable purposes. It is one of the way of applying capital gain for charitable purpose. If capital gain is applied for charitable purpose of the assessee not by acquiring a new asset but for other charitable purpose, then there is no reason why it should not be considered as application of income for charitable purpose enabling the assessee to claim exemption under section 11(1) of the Act. In the present case there was no question of application for accumulation of income for being spent for charitable purpose in future because such application was already deemed to have been made in the previous year itself. - Vide *Al Ameen Educational Society v. DIT* [2012] 26 taxmann.com 250 (Bangalore)

TRUST-ACCUMULATION OF INCOME

- ◉ If 85% of income is not applied then it can be accumulated to be applied in future.
- ◉ To file form no. 10 specifying purpose of accumulation and period of accumulation (Which period cannot exceed 5 years)
- ◉ Such option to be exercised on or before due date of ITR. **As per FA, 2023 such form to be filed at least 2 months prior to due date of ITR. Circular 06/2023.**

TRUST-ACCUMULATION OF INCOME

- ⦿ **No money can be paid out of accumulated sum to any trust registered u/s 12AA, 12AB or to any institution referred to in section 10(23C)(iv)/(v)/(vi)/(via). If so done not to be treated as application of income. Also tax to be levied u/s 115BBI.**

ACCUMULATION-PLUARALITY OF PURPOSE

- ◉ In *CIT v. Hotel and Restaurant Association* (2003) 261 ITR 190 (Del), court held that section 11(2) of the Act did not prohibit plurality of purposes. The court also held that the purposes which the assessee had specified formed part of its objects and were charitable in nature.
- ◉ Also see *Director of Income Tax (Exemption) v. Daulat Ram Education Society* (2005) 278 ITR 260 (Del) : (2006) 156 Taxman 399 (Del) , *Director of Income Tax v. Envisions* (2015) 378 ITR 483 (Karn).

SPECIFICATION OF OBJECTS

- ◉ There is no dispute that it is mandate of section 11 of the Act to specify the purpose and period for which accumulation is sought for. The above position was upheld by the Jurisdictional High Court in the case of *CIT v. MCT Muthiah Chettiar Family Trust (2000) 245 ITR 400 (Mad)* wherein it was held as under :--
- ◉ 'The trust is allowed to accumulate its income for a maximum period of five years. **The condition is that the trust should specify in the prescribed form the purpose for which the income is accumulated or set apart. It is not enough for the trustees to repeat the objects of the trust, but they must specify a particular purpose for which the income is being accumulated.'**

SPECIFICATION OF OBJECTS

- ◉ Similar view was also expressed by the High Court of Calcutta in the case of *DIT(E) v. Singhania Charitable Trust (1993) 199 ITR 819 (Cal)* wherein it was held as under :--
- ◉ 'Doubtless, it is not necessary that the assessee has to mention only one specific object. There can be setting apart and accumulation of income for more objects than one but whatever objects or purposes might be, assessee must specify in notice concrete nature of purposes, for which accumulation is being made. Plurality of the purposes for accumulation may not be precluded but it must depend on the exact and precise purposes for which the accumulation is intended for the statutory period of ten years. The generating of the objects of the trust cannot take the place of specificity of the need for accumulation.'

COPY OF RESOLUTION

- ◉ There is nothing in either section 11(2) of the Act or rule 17(2) of the Rules that mandates the furnishing of resolution by the assessee in order for the statement in Form No. 10 to be acted upon by the assessing officer. Consequently, the Revenue cannot insist on a copy of the resolution being furnished alongwith form no. 10 .—Vide *CIT v. Pr. CIT v. Paradeep Port Trust (2023) 149 Taxmann.com 19 (Ori)*.

REVISION OF FORM NO. 10

- ◉ Where the assessee filed Form No. 10 alongwith return of income and before completion of assessment filed revised Form No. 10 then such revised form was to be accepted. If Form 10 is filed within the stipulated time then during course of assessment proceedings before the assessing officer, there is no bar prohibiting the assessee from modifying the figure in the application. Only in the case of revised Form 10 being filed after the assessment proceedings, the same cannot be accepted.—Vide *CIT v. National College Council (Mad-HC)*.

TRUST-ACCUMULATED INCOME

is applied to purposes other than charitable or religious purposes as aforesaid or ceases to be accumulated or set apart for application thereto,	To be taxed in the year of violation. Section 115BBI to apply
ceases to remain invested or deposited in 11(5) instruments	-Do-
is not utilised for the purpose for which it is so accumulated or set apart during the period of accumulation	To be taxed in the last of the previous years of accumulation. No bonus year. Section 115BBI to apply
is credited or paid to any trust or institution registered under section 12AA/ 12AB or 10(23C)	To be taxed in the year in which so credited or paid. Section 115BBI to apply

ACCUMULATION RULES[SECTION 11(3)]

Violation	Consequence (Upto assessment year 2022-23)	Consequence (From assessment year 2023-24)	Change
Where the amount allowed to be accumulated under section 11(2) is not utilised for the purpose for	Income shall be deemed to be the income of such person of the previous year immediately following the expiry of the such period.	Shall be deemed to be the income of such person of the <i>previous year being the last previous year of the period</i> , for	Yes, there is a change. Now, application has to be made within the period of accumulation Further, however such income will now be taxed at flat rate under section 115BBI

ACCUMULATION RULES[SECTION 11(3)]

Violation	<i>Consequence (Upto assessment year 2022-23)</i>	<i>Consequence (From assessment year 2023-24)</i>	Change
which it is so accumulated, or set apart for the period specified in section 11(2)(a)	Income shall be deemed to be the income of such person of the previous year immediately following the expiry of the such period.	which the income is accumulated or set apart but not utilised for the purpose for which it is so accumulated or set apart	Yes, there is a change. Now, application has to be made within the period of accumulation Further, however such income will now be taxed at flat rate under section 115BBI

BAR TO EXEMPTION [SECTION 13(1)]

- ◉ No exemption u/s 11/12 if
- ◉ (a) Any part of the income from the property held under a trust for private religious purposes which does not enure for the benefit of the public;
- ◉ (b) any income if the trust or institution is created or established for the benefit of any particular religious community or caste;
- ◉ (c) any part of income or property is applied for benefit of author, founder, trustee, manager, relative of such person, and any concern in which such person has substantial interest. Where such author or founder is HUF then any member of such family. [From AY 2023-24 only such part is disallowable]

BAR TO EXEMPTION 13

- ◉ If funds of trust are kept invested in modes specified other than section 11(5) modes. From AY 2023-24 only such part as is invested in violation
- ◉ Anonymous donation taxable u/s 115BBC not exempt
- ◉ **Accumulation not to be allowed where form no. 10 or ITR not filed by due date**
- ◉ Nothing contained in section 11 or section 12 shall operate so as to exclude any income from the total income of the previous year of the person in receipt thereof if the provisions of the proviso to clause (15) of section 2 become applicable in the case of such person in the said previous year. **But now from AY 2023-24 income to be computed in specified manner.**

BAR TO EXEMPTION [SECTION 13]

- ◉ (a) if any part of the income or property of the trust or institution is, or continues to be, lent to any person referred to in sub-section (3) for any period during the previous year without either adequate security or adequate interest or both;
- ◉ (b) if any land, building or other property of the trust or institution is, or continues to be, made available for the use of any person referred to in sub-section (3), for any period during the previous year without charging adequate rent or other compensation;
- ◉ (c) if any amount is paid by way of salary, allowance or otherwise during the previous year to any person referred to in sub-section (3) out of the resources of the trust or institution for services rendered by that person to such trust or institution and the amount so paid is in excess of what may be reasonably paid for such services;
- ◉ (d) if the services of the trust or institution are made available to any person referred to in sub-section (3) during the previous year without adequate remuneration or other compensation;
- ◉ (e) if any share, security or other property is purchased by or on behalf of the trust or institution from any person referred to in sub-section (3) during the previous year for consideration which is more than adequate;

BAR TO EXEMPTION [SECTION 13]

- ◉ (f) if any share, security or other property is sold by or on behalf of the trust or institution to any person referred to in sub-section (3) during the previous year for consideration which is less than adequate;
- ◉ [(g) if any income or property of the trust or institution is diverted during the previous year in favour of any person referred to in sub-section (3) :
- ◉ *Provided* that this clause shall not apply where the income, or the value of the property or, as the case may be, the aggregate of the income and the value of the property, so diverted does not exceed one thousand rupees;]
- ◉ (h) if any funds of the trust or institution are, or continue to remain, invested during the previous year (not being a period before the 1st day of January, 1971) in any concern in which any person referred to in sub-section (3) has a substantial interest.

RESTRICTING SECTION 13(1)©

- ◉ Section 13(1)(c) provides that a charitable or religious trust or institution created or established on or after 1-4-1962, shall lose the exemption under section 11 if any part of its income enures (under the terms of the trust, etc.) to the benefit of any of the interested persons, or any part of its income or property is, irrespective of the date of its creation or establishment, used or applied by or for the benefit of any such interested person during any part of the previous year, whether directly or indirectly.
- ◉ So currently one may lose exemption if violation referred to in section 13(1)(c) happens.
- ◉ Hitherto, extending benefit to specified person was to result in denial of exemption but now, the disallowance will be only to the extent of benefit provided. However, in addition such amount of benefit will be treated as specific income liable to tax at 30% under section 115BBI [Inserted by Finance Act, 2022] and will also be liable to penalty under section 271AAE [Inserted by Finance Act, 2022].

RESTRICTING SECTION 13(1)(D)

- As per section 13(1)(d) nothing contained in section 11 or section 12 shall operate so as to exclude from the total income of the previous year of the person in receipt thereof In the case of a trust for charitable or religious purposes or a charitable or religious institution, any income thereof, if for any period during the previous year. Any funds of the trust or institution are invested or deposited after the 28-2-1983 otherwise than in any one or more of the forms or modes specified in section 11(5)

RESTRICTING SECTION 13(1)(D)

- Currently, if any violation is made then entire exemption goes.
- The Finance Act, 2022 has restricted disallowance to the extent of such deposits or investments which are not so held.
- However, in addition such amount of benefit will be treated as specific income liable to tax at 30% under section 115BBI [Inserted by Finance Act, 2022].

SPECIFIED PERSONS

- ◉ (a) the author of the trust or the founder of the institution;
- ◉ (b) any person who has made a substantial contribution to the trust or institution, [that is to say, any person whose total contribution upto the end of the relevant previous year exceeds [fifty] thousand rupees] **Position changed from AY 2026-27;**
- ◉ (c) where such author, founder or person is a Hindu undivided family, a member of the family;
- ◉ [(cc) any trustee of the trust or manager (by whatever name called) of the institution;]
- ◉ (d) any relative [2(41)] of any such author, founder, person, [member, trustee or manager] as aforesaid;
- ◉ (e) any concern in which any of the persons referred to in clauses (a), (b), (c), [(cc)] and (d) has a substantial interest.

BAR TO EXEMPTION -VALUE OF SERVICES

- ◉ value of any services, being medical or educational services, made available by any charitable or religious trust running a hospital or medical institution or an educational institution, to any person referred to in clause (a) or clause (b) or clause (c) or clause (cc) or clause (d) of sub-section (3) of section 13, shall be deemed to be the income of such trust or institution derived from property held under trust wholly for charitable or religious purposes during the previous year in which such services are so provided and shall be chargeable to income-tax notwithstanding the provisions of sub-section (1) of section 11.
- ◉ the exemption under section 11 or section 12 shall not be denied in relation to any income, other than the income referred to in sub-section (2) of section 12, by reason only that such trust has provided educational or medical facilities to persons referred to in clause (a) or clause (b) or clause (c) or clause (cc) or clause (d) of sub-section (3).]

COMPUTATION OF TAX AT FLAT RATE- 115BBI

- Provisions of section 115BBI applies to any trust or institution referred to in section 11 and where the total income of such assessee includes any income by way of any specified income.
- Such specified income notwithstanding anything contained in any other provision of the Act shall be taxed at a flat rate of 30% and any other income shall be taxed as per other provisions of the Act. This rate will be subject to SC and Cess.
- It is clear by above *non obstante* clause that specified income will be taxed at flat rate provided in section 115BBI and not at any other rate provided in the Act.

COMPUTATION OF TAX AT FLAT RATE-SPECIFIED INCOME

- ◉ (a) Income accumulated or set apart in excess of fifteen per cent. of the income where such accumulation is not allowed under any specific provision of the Act
- ◉ (b) Income which is c/fd in form no. 9A but not applied
- ◉ (b) Accumulated income which is not applied within the period of accumulation or is utilized in violation of requirements of section 11(3).
- ◉ If any funds of the trust or institution are invested or deposited after the 28-2-1983 otherwise than in any one or more of the forms or modes specified in section 11(5). The Finance Act, 2022 has restricted disallowance to the extent of such deposits or investments referred to above.
- ◉ So specific rate will be applied only on amount invested in violation of above provisions.

COMPUTATION OF TAX AT FLAT RATE-SPECIFIED INCOME

- if any part of its income enures (under the terms of the trust, etc.) to the benefit of any of the interested persons, or any part of its income or property is, irrespective of the date of its creation or establishment, used or applied by or for the benefit of any such interested person during any part of the previous year, whether directly or indirectly.- **The Finance Act, 2022 has restricted the scope of disallowance to such part of income as is referred to in section 13(1)(c). As a consequence specified rate will apply only to that part of income which is used or applied in violation.**

COMPUTATION OF TAX AT FLAT RATE-SPECIFIED INCOME

- ⦿ Any income other than above will be taxed at regular rates as applicable to the assessee.
- ⦿ Notwithstanding anything contained in the Act, no deduction in respect of any expenditure or allowance or set off of any loss shall be allowed to the assessee under any provision of this Act in computing the specified income referred to above.

COMPUTATION OF INCOME

- ◉ The method of computing income of a charitable trust is different from that followed in the case of other assesseees, in that, it is the commercial concept of income which is to be considered and not the income as computed under the various heads of income as specified in section 14.

COMPUTATION OF INCOME

- ◉ In the case of *CIT v. Jayashree Charity Trust (1986) 159 ITR 280 (Cal)*, wherein it was held that for the purpose of section 11 of the Act, it is only a real income which has been actually received by the assessee that has to be considered and application of such real income for charitable purpose ascertained. Reference was also made to CBDT Circular bearing No.5-P(LXX-VI), dated 19-5-1998 which was referred to by the Hon'ble Calcutta High Court in the case of *DIT (Exemption) v. Girdharilal Shewnarain Tania Trust (1993) 199 ITR 215 (Cal)* and the Hon'ble High Court held that income in section 11(1)(a) has to be understood in a commercial sense.
- ◉ Gujarat High Court in the case of *CIT v. Ganga Charity Trust Fund (1986) 162 ITR 612 (Guj)*, wherein identical proposition that all outgoings must be deducted and only the surplus income that remains in the hands of the trustees should be considered as available for application.

COMPUTATION OF INCOME- PROPERTY INCOME

- ◉ In *Nandlal Tolani Charitable Trust v. ITO* (2019) 176 ITD (Mum-Trib) 769 : (2019) 201 TTJ (Mum-Trib) 88 The assessing officer has disallowed standard deduction claimed under section 24(a) of the Act. However, expenditure incurred as per the books of account of the assessee has not been allowed while determining income available for application. It is the settled position of law that once income of a trust/institution is computed under the provisions of section 11 of the Act, whatever income derived from the property held under trust is to be taken into account and against which actual expenditure incurred for the objects of the trust has to be considered as application of income. Therefore, while arriving at income under section 11, the assessing officer needs to allow deduction towards actual repairs and maintenance expenses incurred for Rs. 13,00,635.

TAXATION OF TRUSTS

Nature of Income	Tax Rate
Section 13, 115BBC, 111A, 112, not applicable; Income referred to in 2(24)(ia), Business Income of the nature 11(4A) or income which is not exempt u/s 11/12	As if Income of AoP at Slab Rates. Circular 320 dated 11-01-1982
Capital Gains U/s 111A/112	At Applicable Rates
Income not exempt due to 13(1)©, 13(1)(d),	From AY 2023-24 cases covered by 13(1)(c)/ 13(1)(d) liable to tax @30% U/s 115BBI

TAXATION OF TRUSTS

Nature of Income	Tax Rate
Income not exempt due to 13(1)(b) -Benefit to particular religion	As if Income of AoP at Slab Rates
Anonymous donation 115BBC	@ 30% plus cess and SC
Income due to operation of Proviso to section 2(15)	To be computed in manner laid down u/s 13(10) and taxed at MMR
In all other cases	At MMR. No tax if below MNCT

TAXATION OF TRUSTS

Nature of Income	Tax Rate
Section 8 Company	To be taxed as a company. Taxed @ 22% as a domestic company
Voluntary Contributions towards corpus 11(1)(d)	Exempt if kept invested in 11(5)
Income not applied or accumulated beyond 15% where Form 10 not filed	AoP rate
Income not received but carried over but not applied	@30% 115BBI
Income accumulated but violations done	@30% 115BBI

APPLICABILITY OF SECTION 167B

- ◉ *Whether the trust would be taxable at the Maximum Marginal Rate as per the provisions laid down in Sec. 167B (since the share of the members is indeterminate) of the Income Tax Act, 1961?*
- ◉ *No, because public has no share in it. See Circular No. 320 Dt. 11.01.1982*
- ◉ *Contrary view:*
- ◉ **Basil Mendes Memorial Educational & Charitable Trust VS ITO 173 ITD 390**, wherein the income of the public charitable trust was taxed at MMR.

APPLICABILITY OF SECTION 167B

- ◉ It was noted that Tribunal in the case of *Jain Sangh parabdi Khayu Trustee [ITA Nos. 353-354/AHD/2021 A.Y. 2016-17 & 2017-18 Order dated 20-5-2022]* held that the members of the trustees are not entitled to any share in the income of the Association of Persons and rate applicable as to an individual for charging the income tax after lowering the basic exemption limit, shall be applicable to assessee on hand. Thus, following the above case, the action of AO could not be held as justified. Also **Bhetasi Kelvani Mandal v. Dy. CIT (Ahd-Trib)**

MMR

- Assessee was not entitled for the benefit of exemption under section 11 for the year under consideration. Therefore, same could not be treated as Association of Persons in the manner as provided under sub-section (2) of section 164. Beneficiaries of trust were not known. Exception clause provided under section 164(1) was not applicable to assessee. It could be concluded that tax shall be charged on income of assessee at maximum marginal rate in pursuance to provisions of section 164(1). **Gujarat Rohit Samaj Trust v. Dy. CIT**
- (Ahd-Trib)**

AOP RATES

- If the members or trustees are not entitled to any share in the income of the AOP, the provisions of section 167A would not be attracted and, accordingly, tax would be payable at the rate ordinarily applicable to the total income of an AOP and not at the maximum marginal rate. **Jain Sangh Parabdi Khayu Trustee v. Dy. CIT (Ahd-Trib)**

OTHER TRUSTS (NOT CHARITABLE)

- ◉ **Representative Assessee:**
- ◉ Court of Wards, the Administrator-General, the Official Trustee or any receiver or manager (including any person, whatever his designation, who in fact manages property on behalf of another) appointed by or under any order of a court
- ◉ Trustee appointed under a trust declared by a duly executed instrument in writing whether testamentary or otherwise including any wakf deed which is valid under the Mussalman Wakf Validating Act, 1913.
- ◉ **Where receive income and share of beneficiary is indeterminate or only one beneficiary-At MMR**
- ◉ Ultimately, the Special Bench held that in the case of private discretionary trusts taxed at the maximum marginal rate, the computation of surcharge must be based on the slab-wise surcharge structure prescribed in the Finance Act under Paragraph A of Part I of the First Schedule, and not at a flat highest rate.
- ◉ **Aaradhya Jain Trust vs. Income Tax Officer [2025 (4) TMI 648 - ITAT MUMBAI] (SB)**

OTHER TRUSTS-EXCEPTIONS

- ◉ None of the beneficiaries has any other income chargeable under this Act exceeding the maximum amount not chargeable to tax in the case of an association of persons or is a beneficiary under any other trust; or
- ◉ Relevant income or part of relevant income is receivable under a trust declared by any person by will and such trust is the only trust so declared by him; or
- ◉ the relevant income is receivable by the trustees on behalf of a provident fund, superannuation fund, gratuity fund, pension fund or any other fund, created *bona fide* by a person carrying on a business or profession exclusively for the benefit of persons employed in such business or profession,
- ◉ Tax at AoP rates
- ◉ where any income in respect of which the person mentioned in clause (iv) of sub-section (1) of [Section 160](#) is liable as representative assessee consists of, or includes, profits and gains of business, the AoP rates shall apply only if such profits and gains are receivable under a trust declared by any person by will exclusively for the benefit of any relative dependent on him for support and maintenance, and such trust is the only trust so declared by him.

AOP RATES[WHOLLY CHARITABLE]

- ◉ In the case of relevant income which is derived from property held under trust wholly for charitable or religious purposes, or which is of the nature referred to in sub-clause (iia) of clause (24) of Section 2 or which is of the nature referred to in sub-section (4A) of Section 11,
- ◉ tax shall be charged on so much of the relevant income as is not exempt under Section 11 Section 12, as if the relevant income not so exempt were the income of an association of persons
- ◉ **Means slab rates and this applies to Unregistered Trusts also**
- ◉ But income chargeable due to 13(1)©/(d) shall be taxed at MMR

TAX[PARTLY CT]

- ◉ income is derived from property held under trust in part only for charitable or religious purposes or is of the nature referred to in sub-clause (ia) of clause (24) of Section 2, or is of the nature referred to in sub-section (4A) of Section 11,] and either the relevant income applicable to purposes other than charitable or religious purposes (or any part thereof) is not specifically receivable on behalf or for the benefit of any one person or the individual shares of the beneficiaries in the income so applicable are indeterminate or unknown,
- ◉ A. Income relatable to CT or religious: AoP rates
- ◉ B. the tax on that part of the relevant income which is applicable to purposes other than charitable or religious purposes, and which is either not specifically receivable on behalf or for the benefit of any one person or in respect of which the shares of the beneficiaries are indeterminate or unknown, at the maximum marginal rate

TAX[PARTLY CT]

- ◉ none of the beneficiaries in respect of the part of the relevant income which is not applicable to charitable or religious purposes has any other income chargeable under this Act exceeding the maximum amount not chargeable to tax in the case of an association of persons or is a beneficiary under any other trust
- ◉ the relevant income is receivable under a trust declared by any person by will and such trust is the only trust so declared by him; or
- ◉ AoP Rates
- ◉ where the relevant income consists of, or includes, profits and gains of business, the AoP rates shall apply only if the income is receivable under a trust declared by any person by will exclusively for the benefit of any relative dependent on him for support and maintenance, and such trust is the only trust so declared by him
- ◉ At MMR where 13(1)©/(d) applies

Requirement to File ITR

REQUIREMENT TO FILE ITR (REGISTERED TRUSTS)

- ◉ Requirement of Law
- ◉ As per section 139(4A) every person
- ◉ in receipt of income derived from property held under trust or other legal obligation wholly for charitable or religious purposes or in part only for such purposes, or of income being voluntary contributions referred to in sub-clause (iia) of clause (24) of section 2, shall,
- ◉ if the total income in respect of which he is assessable as a representative assessee (the total income for this purpose being computed under this Act without giving effect to the provisions of sections 11 and 12) exceeds the maximum amount which is not chargeable to income-tax, furnish a return of such income of the previous year.

REQUIREMENT TO FILE ITR (REGISTERED TRUSTS)

- ◉ Why ITR Filing Required
- ◉ For registered trusts ITR filing required
- ◉ (a) To claim exemption u/s 11 or 12 to file ITR by due date or belated ITR or Revised ITR . **Updated ITR not to bring exemption.**
- ◉ If not filed 13(10) shall apply

REQUIREMENT TO FILE ITR (UNREGISTERED TRUSTS)

- ◉ For unregistered trusts
- ◉ Will be assessed as AoP
- ◉ Hence ITR to be filed if total income exceeds maximum amount which is not chargeable to income-tax

REQUIREMENT OF RULE 12

- ◉ In the case of a person including a company whether or not registered under section 25 of the Companies Act, 1956 ,required to file a return under sub-section (4A) or sub-section (4B) or sub-section (4C) or sub-section (4D) of section 139, be in Form No. ITR-7 and be verified in the manner indicated therein.

DUE DATE

Category of assessee	Due date for filing
(i) Where assessee is a company (Section 8 Company in case of Trusts)	31st October of the assessment year
(ii) Where assessee is a person, other than a company, whose accounts are required to be audited under the Act or any other law	31st October of the assessment year
(v) Any other assessee	31st July of the assessment year

WHO CAN USE ITR-7

- ◉ This Return Form can be used by persons including companies who are required to furnish return under Section 139(4A) or Section 139(4B) or Section 139(4C) or Section 139(4D).
- ◉ This ITR form is applicable for assessee to claim exemption under Sections 10(21), 10(22B), 10(23A), 10(23AAA), 10(23B), 10(23C)(iiia), 10(23C)(iiib), 10(23C)(iiic), 10(23C)(iiid), 10(23C)(iiie), 10(23C)(iv), 10(23C)(v), 10(23C)(vi), 10(23C)(via), 10(23D), 10(23DA), 10(23EC), 10(23ED), 10(23EE), 10(23FB), 10(24), 10(29A), 10(46), 10(47), 11, 13A/13B or 13B.
- ◉ If these exemptions are not applicable to the assessee, relevant ITR form as per Rule 12 may be used. [Generally ITR 5]

WHO CAN USE ITR-7

- ◉ The category of persons whose income is exempt under various clauses of [Section 10](#), and who are not mandatorily required to furnish their return of income under the provisions of [Section 139](#), may use relevant ITR form for filing return. From A.Y.22-23 onwards ITR 7 will not be applicable to the persons whose income is exempt under [Section 10\(20\)](#), [Section 10\(23AA\)](#), [Section 10\(23AAB\)](#), [Section 10\(23BB\)](#), [Section 10\(23BBA\)](#), [Section 10\(23BBC\)](#), [Section 10\(23BBE\)](#), [Section 10\(23BBG\)](#), [Section 10\(23BBH\)](#), [Section 10\(23C\)\(i\)](#), [Section 10\(23C\)\(ii\)](#), [Section 10\(23C\)\(iii\)](#), [Section 10\(23C\)\(iiia\)](#), [Section 10\(23C\)\(iiiiaa\)](#), [Section 10\(23C\)\(iiiiaaa\)](#), [Section 10\(23C\)\(iiiiaaaa\)](#), [Section 10\(25\)\(i\)](#), [Section 10\(25\)\(ii\)](#), [Section 10\(25\)\(iii\)](#), [Section 10\(25\)\(iv\)](#), [Section 10\(25\)\(v\)](#), [Section 10\(25A\)](#), [Section 10\(26AAB\)](#), [Section 10\(26B\)](#), [Section 10\(26BB\)](#), [Section 10\(26BBB\)](#), [Section 10\(44\)](#).
- ◉ Assessee claiming exemptions under Sections mentioned below can file ITR 7.

SECTION V. EXEMPTION

Section	Exemption U/s
139(4A)	11 or 12
139(4B)	Political Party claiming exemption u/s 13A
139(4C)	10(21), 10(22B), 10(23A), 10(23AA), 10(23B), 10(23C)(iv)/(v)/(vi)/(via)/(iiiab)/(iiiad)/(iiiac)/(iiiae), 10(23D), 10(23DA), 10(23EC), 10(23ED), 10(23FB), 10(24)(a)/(b), 10(29A), 10(46) and 10(47)

○ Filling Up ITR

WHO HAS TO FILL WHICH SCHEDULE

Exemption claimed under Section	Schedule required to be filled up
Political party claiming exemption u/s 13A	Schedule LA Schedule VC
Electoral Trust claiming exemption u/s 13B	Schedule ET Schedule VC
Trust/institution claiming exemption u/s 11 and/or 10(23C)(iv) or 10(23C)(v) or 10(23C)(vi) or 10(23C) (via)	Schedule 1, D, J, VC, AI, ER, EC
Assessee claiming exemption under any of the clauses of Section 10 (21), 10(22B), 10(23AAA), 10(23B), 10(23FB), 10(23D), 10(23DA), 10(23EC), 10(23ED), 10(23EE), 10(29A), 10(46), 10(47)	Schedule IE 1 Schedule VC

WHO HAS TO FILL WHICH SCHEDULE

Exemption claimed under Section	Schedule required to be filled up
Assessee claiming exemption under Sections 10(23A), 10(24)	Schedule IE 2 Schedule VC
Assessee claiming exemption under Sections 10(23C)(iiiab) or 10(23C)(iiiac)	Schedule IE 3 Schedule VC
Assessee claiming exemption under Sections 10(23C)(iiiad) or 10(23C)(iiiae)	Schedule IE 4 Schedule VC

APPLICABILITY OF SECTION 13(10)

- ◉ In ITR Part A - General : Query is
- ◉ Whether provisions of twenty second proviso to Section 10(23C) or Section 13(10) are applicable?
- ◉ If Yes then nature of violation to be explained
- ◉ Now, in PART A-GEN, the assessee must select from the following options regarding the applicability of special provisions for income computation:
- ◉ Provisions of proviso to clause (15) of Section 2 are applicable: **Whether** aggregate receipts from GPU during the previous year exceeds twenty per cent of the total receipts, of the trust or institution undertaking such activity or activities, of that previous year

APPLICABILITY OF SECTION 13(10)

- ◉ Conditions specified in clause (a) of tenth proviso to 10 (23C)/sub-clause (i) of clause (b) of sub-Section (1) of Section 12A have been violated: Whether books of account and other documents have not been kept and maintained in such form and manner and at such place, as prescribed by Rule 17A.
- ◉ Conditions specified in clause (b) of tenth proviso to 10 (23C)/sub-clause (ii) of clause (b) of sub-Section (1) of Section 12A have been violated: Whether audit has not been done or report furnished after specified date
- ◉ Conditions specified in twentieth proviso to 10(23C)/clause (ba) of sub-Section (1) of Section 12A have been violated : Whether ITR filed by due date or belatedly
- ◉ If yes is filled then Part B3-TI is to be filled up

APPLICABILITY OF 22ND PROVISO TO S. 10(23C) OR S. 13(10)

- ◉ In such cases, the income chargeable to tax due to withdrawal of exemption shall be computed after allowing a deduction for expenditure (other than capital expenditure) incurred in India for the objects of the institution. The deduction is allowable subject to the satisfaction of the following conditions:

APPLICABILITY OF 22ND PROVISIO TO S. 10(23C) OR S. 13(10)

- ◉ The expenditure is not from the amount of corpus donations credited in the books of account up to the end of the financial year immediately preceding the relevant previous year;
- ◉ The expenditure is not from any loan or borrowing;
- ◉ Depreciation shall not be allowed in respect of an asset whose full cost has been claimed as an application of income;
- ◉ The expenditure is not in the form of a contribution or donation to any person.

APPLICABILITY OF 22ND PROVISO TO S. 10(23C) OR S. 13(10)

- ◉ The income shall be computed without deduction of the following expenditures:
- ◉ No deduction shall be allowed for the capital expenditure;
- ◉ Disallowance shall be made under Section 40(a)(ia) for the default made in deduction of tax;
- ◉ Disallowance shall be made Section 40A(3)/40A(3A) for the payment made in cash;
- ◉ No deduction shall be allowed for the expenditure not incurred in India.
- ◉ It should be noted that the disallowance made of the above expenditure or allowance shall not be allowed as a deduction to the assessee under any other provision. Further, if any loss arises due to such expenditure, no set-off shall be allowed for such losses.

DETAILS TO BE ENSURED

- ◉ Where TDS has been claimed ensure that corresponding receipts are disclosed in the applicable schedules. For example schedule A1 has to be filled by person registered under Section 12A/12AA/12AB or approved under Section 10(23C)(iv) to (via). Schedule IE1 to IE4 has to be filled by the person claiming exemption under clauses of Section 10.
- ◉ Heads of income is required to be filled only if assessee has taxable income.
- ◉ In case exemption u/s 10 is not allowed due to non-compliance of the provisions of the Act, then the receipts mentioned in relevant Schedule IE will be considered as income in Schedule OS and will be taxed.

DETAILS TO BE ENSURED

- ◉ Where an trust or institution is registered u/s 12A/12AA/12AB or approved u/s 10(23C)(iv) or 10(23C)(v) or 10(23C)(vi) or 10(23C)(via) then no exemption u/s 10 shall be allowed and nothing shall operate to exclude any income derived from the property held under trust from the total income of the person in receipt thereof for that previous year. This is not applicable to agricultural income. That exemption will be allowed.
- ◉ Audit report in form 10B/10BB has to be e-filed at least one month prior to due date for filing of return u/s 139(1).
- ◉ What if not filed-Section 13(10) will apply.

DETAILS OF FILING FORM 10 FOR ACCUMULATION OF INCOME

- ◉ As per Section 11(2), if a trust is not able to apply 85% of its income in a particular year, it can accumulate the shortfall to be used for religious or charitable purposes within the next 5 years. This accumulation is allowed if the assessing officer is informed about the purpose of the accumulation and the period for which the income is being accumulated. The information is to be furnished in Form 10 at least two months prior to the due date specified under Section 139(1) for furnishing the return of income for the previous year.
- ◉ The CBDT issued Circular No. 6/2023, dated 24-5-2023 clarifying that the benefit of accumulation will not be denied to a trust, even if Form 10 is not filed at least two months before the due date for filing the income tax return under Section 139(1). However, Form 10 must be submitted on or before the due date for filing the return under Section 139(1) to avail of this benefit. **This circular is contrary to law decided in Ahmedabad Urban (SC) please note.**

DETAILS OF FILING FORM 10 FOR ACCUMULATION OF INCOME

- Section 13(9) on the other hand provides that where form no. 10 is not filed by due date of ITR or where ITR is not furnished by due date then no exemption allowable to accumulated income. This is contradictory and legislature forgot to amend the section.

DETAILS OF FILING FORM 10 FOR ACCUMULATION OF INCOME

- ◉ In the ITR form, Part B-TI requires reporting of the amount accumulated or set aside for specified purposes if all conditions in Sections 11(2) and 11(5) or the third proviso to Section 10(23C) are fulfilled. If any amount is accumulated, the assessee is now also required to report the following information
- ◉ whether the option in Form No. 10 has been furnished to the Assessing Officer
- ◉ If yes, the date of furnishing Form No. 10

SCHEDULE I (ACCUMULATED AMOUNTS)-KEY CONSIDERATIONS

- Under Section 11(2) or under third proviso to Section 10(23C), where 85% of the income is not applied or is not deemed to have been applied, to charitable or religious purposes in India during the previous year but is accumulated or set apart, either in whole or in part, for application to such purposes of India, such income so accumulated or set apart shall not be included in the total income of the previous year, if certain conditions are satisfied.
- For Section 10(21) assessee's accumulated funds need to be applied for Scientific research/social science or statistical research.
- This year in ITR-7 details of accumulated funds are to be filled in Schedule I.

SCHEDULE I (ACCUMULATED AMOUNTS) -KEY CONSIDERATIONS

- ◉ Assessee has to ensure that Form 10 and the return of income has been filed within the due date for claim of amount accumulated u/s 11(2).
- ◉ Form 10 to be filed at least 2 months prior to due date of ITR.
- ◉ No donation can be made out of accumulated funds to any fund or trust or institution or any university or other educational institution or any hospital or other medical institution referred to in sub-clause (iv) or sub-clause (v) or sub-clause (vi) or subclause (via) of clause (23C) of section 10 or other trust or institution registered under section 12AA or section 12AB.

SCHEDULE I (ACCUMULATED AMOUNTS) -KEY CONSIDERATIONS

- ◉ If accumulated funds
- ◉ (a) is applied to purposes other than charitable or religious purposes as aforesaid or ceases to be accumulated or set apart for application thereto, or
- ◉ (b) ceases to remain invested or deposited in any of the forms or modes specified in sub-section (5), or
- ◉ (c) is not utilised for the purpose for which it is so accumulated or set apart during the period of accumulation
- ◉ (d) is credited or paid to any trust or institution registered under section 12AA or section 12AB or to any fund or institution or trust or any university or other educational institution or any hospital or other medical institution referred to in sub-clause (iv) or sub-clause (v) or sub-clause (vi) or sub-clause (via) of clause (23C) of section 10
- ◉ Shall be taxed.

SCHEDULE I (ACCUMULATED AMOUNTS)

- ◉ The total of column at Sl. No 13 of this Schedule is the amount deemed to be income u/s 11(3) and it will be taxable in Part B1 and Part B2 of Part B-TI respectively. This total amount should be reported as additions for the purpose of computation of total income in schedule part B-TI (Part B1 & B2). These amounts should be entered only if the amounts accumulated in earlier years have not been utilized within the specified time
- ◉ Schedule IA “Details of accumulated income taxed in earlier assessment years as per section 11(3)” has been inserted to capture the year wise details appropriately. Further, total of Column (E) of Schedule IA should be equal to total of column (6) of Schedule I

SCHEDULE I (ACCUMULATED AMOUNTS)

- ⦿ Caution: Please enter the amount applied for charitable/ religious/Scientific research/ social science or statistical research purposes up to the beginning of the previous year/ during the year. [Col. 4,8]
- ⦿ The amount deemed to be income within meaning of section 11(3) (if applicable) which was already taxed in the earlier assessment years, so that same is not taxed again in subsequent assessment year (s) to be entered in this field. [Col. 6]

SCHEDULE I (ACCUMULATED AMOUNTS)

- Please enter the amount credited or paid to any trust or institution registered u/s 12AB or approved under sub-clauses (iv)/(v)/(vi)/(via) of section 10(23C). [Col. 10]
- Please enter the amount invested or deposited in the modes specified in section 11(5) out of S.No. 11
- Please enter the amount which is not utilized during the period of accumulation.

SCHEDULE D (DEEMED APPLICATION)

- ◉ Under Section 11(1) in explanation 1 of clause (2), income applied to charitable or religious purpose in India falls short 85% of the income derived during that year for the reason
 - ◉ (a) that income has not been received during the year or
 - ◉ (b) for any other reason
- ◉ amount can be accumulated as per explanation 1 of Section 11(1) and will be treated as deemed to be applied in the year of accrual if specified conditions are satisfied
- ◉ Details of such application are to be filled in Schedule D.

SCHEDULE D (DEEMED APPLICATION)

- Assessee has to ensure that Form 9A and the return of income has been filed within the due date for claim of amount accumulated u/s 11(1). Form 9A to be filed at least 2 months before due date of ITR.
- The CBDT issued Circular No. 6/2023, dated 24-5-2023 clarifying that the benefit of deemed application will not be denied to a trust, even if Form 9A is not filed at least two months before the due date for filing the income tax return under Section 139(1). However, Form 9A must be submitted on or before the due date for filing the return under Section 139(1) to avail of this benefit. **This circular is contrary to law decided in Ahmedabad Urban (SC) please note.**

SCHEDULE D (DEEMED APPLICATION)

- ◉ Say Total Accrued Receipts (2024-25) Rs. 1,00,000
- ◉ Out of which Rs.50,000 not received
- ◉ Then assessee can file form 9A for this Rs. 50,000 and this will be deemed to have been applied during the year 2024-25
- ◉ Now, this amount is to be applied either in the year of receipt or year thereafter
- ◉ Say Amount realised in year 2025-26 then it is to be applied in year 2025-26 or 2026-27.

SCHEDULE D (DEEMED APPLICATION)

- ◉ In ITR in Schedule D
- ◉ Col. 1: 2024-25
- ◉ Col. 2: Rs. 50,000
- ◉ Col. 3: (a)
- ◉ Col. 4: Rs. 50,000
- ◉ Col. 5: Nil
- ◉ Col. 6 : Nil
- ◉ Col. 7: NA
- ◉ Col. 8; Nil
- ◉ Col. 9: Rs. 50,000

SCHEDULE D (DEEMED APPLICATION)

- ◉ Say Total Receipts (2024-25) Rs. 1,00,000
- ◉ Out of which Rs.50,000 not applied for any reason
- ◉ Then assessee can file form 9A for this Rs. 50,000 and this will be deemed to have been applied during the year 2024-25
- ◉ Now, this amount is to be applied in year 2025-26

SCHEDULE D (DEEMED APPLICATION)

- ◉ In ITR in Schedule D
- ◉ Col. 1: 2024-25
- ◉ Col. 2: Rs. 50,000
- ◉ Col. 3: (b)
- ◉ Col. 4: Rs. 50,000
- ◉ Col. 5: Nil
- ◉ Col. 6 : Rs. 50,000
- ◉ Col. 7: NA
- ◉ Col. 8; Amount not applied
- ◉ Col. 9: Nil

SCHEDULE D (DEEMED APPLICATION)

- ◉ The total of column 8 of this Schedule is the amount which could not be applied and deemed to be income u/s 11(1B) during the previous year, this total amount should be reported as additions for the purpose of computation of total income in Part B1 of Part B-TI.
- ◉ New Schedule DA “Details of accumulated income taxed in earlier assessment years as per section 11(1B)” has been inserted to capture the year wise details appropriately. Further, total of Column (F) of Schedule DA should be equal to total of column (5) of Schedule D.

SCHEDULE D (DEEMED APPLICATION)

- ◉ Previous Year of accumulation to be selected
Prior to 2019-20 then 2019-20, 20-21, 21-22 and 2022-23 [Col.1]
- ◉ Please select the Assessment Year in which income is deemed to be applied from the dropdown list. [Col.1]
- ◉ Please enter the amount deemed to be applied during the previous year of deeming. [Col.2]
- ◉ Please select the reason of deeming application from the below drop down list 1) Income has not been received during the year 2) Any other reason. [Col.3]

SCHEDULE D (DEEMED APPLICATION)

- ◉ Please enter the amount required to be applied out of the deemed application claimed [Col.4]
- ◉ The amount which could not be applied and deemed to be income u/s 11(1B) during the previous year which as already taxed in earlier assessment years, then it should not be taxed in subsequent assessment year(s) to be entered in this field. [Col.5]
- ◉ Please enter the amount required to be applied during the financial year pertaining to AY 2025-26 [Col. 6]
- ◉ Please enter amount applied during the previous year out of deeming application claimed in earlier years. [Col.7]
- ◉ Amount which cannot be applied [Col.8} will be added to total income. Part B-TI
- ◉ Balance will be C;fd [Col.9]

SCHEDULE DA (DEEMED APPLICATION)

- Here one will report **Details of accumulated income taxed in earlier assessment years as per section 11(1B) assessment year wise. This details shall match the Col. 5 of Schedule D.**

SCHEDULE J (INVESTMENTS)

- ◉ If one is a trust or institution registered under [Section 12A/12AA/12AB](#) or have obtained approval for the purposes of sub-clause (iv), (v), (vi) or (via) of clause (23C) of [Section 10](#), [Section 10](#)(21) it is mandatory to fill up the details of investment of funds in this Schedule J.
- ◉ **Part A1: Details of corpus**
- ◉ **Part A2: Details of loan and borrowings**
- ◉ **Part B: Details of corpus investment/deposits made under section 11(5) as on 31.03.2025**
- ◉ **Part C: Investment held at any time during the previous year (s) in concern (s) in which persons referred to in section 13(3) and 21st Proviso of Section 10(23C) have a substantial interest**
- ◉ **Part D: Other investments as on the last day of the previous year**
- ◉ **Part E: Voluntary contributions/donations received in kind but not converted into investments in the specified modes u/s 11(5) within the time provided**

SCHEDULE J (INVESTMENTS)

- ◉ In this Schedule, in part A1 of the table one has to mention the details of corpus such as
 - ◉ opening balances,
 - ◉ Amount received/treated as corpus during the year,
 - ◉ amount applied,
 - ◉ amount re-deposited in the corpus which was applied earlier but not claimed as application-Financial Year in which it was earlier applied to be mentioned
 - ◉ total amount re-deposited in the corpus,
 - ◉ closing balance of corpus.
- ◉ If corpus not invested in 11(5) modes the same will get auto populated in Sl.no 10 of Schedule J and will get taxable in Part B-TI (part b1 & b2).
- ◉ Amount re-deposited in Corpus will be allowed as application in Part B-TI(B1)

SCHEDULE J (INVESTMENTS)

- ◉ The Finance Act, 2021 imposed a restriction on applications made out of corpus and loans & borrowings. If an application made before 01-04-2021 is claimed as an application, then the same amount is applied again as an investment or reposted back into the corpus or repaid as loans & borrowings, it would result in a double deduction. To address this issue, the Finance Act 2023 made an amendment, which states that if the application from the corpus or loans is made on or before 31-03-2021, then the same shall not be considered as an application in the current year at the time of restoration of the corpus or repayment of loans.
- ◉ Due to this amendment, 'Schedule J' of Form ITR-7 now explicitly requires reporting if an application from the corpus is made on or after 01-04-2021, or if an application from any loan or borrowing is made on or after 01-04-2021, provided such amount was earlier applied but not claimed as an application.

SCHEDULE J (INVESTMENTS)

- ◉ In Table A2 assessee needs to provide the information of Loans & Borrowings opening balance, Amount borrowed during the year, Amount applied from such loan, Loan repayment during the year which was earlier applied and not claimed as application where such application is on or after 1-4-2021, Financial Year in which applied earlier, Total repayment during the year and closing balance. Loan repaid during the year will be treated as application (if it was earlier applied and not claimed as application).
- ◉ Amount applied from loan or borrowings will not be treated as application of income.
- ◉ In part B of the table, one has to furnish details of investments or deposits made in any of the modes specified u/s 11(5), out of funds of the trust or institution, which is held as on the last day of the previous year.
- ◉ In part C of the table, one has to report investments held by persons having substantial interest, as referred to in Section 13(3) at any time during the previous year.

SCHEDULE J (INVESTMENTS)

- ◉ In Part C of the table Investment held at any time during the previous year (s) in concern (s) in which persons referred to in section 13(3) and 21st Proviso of Section 10(23C) have a substantial interest have to be reported.
- ◉ Whether the amount in of investment exceeds 5 percent of the capital of the concern during the previous year.
- ◉ This is very important and may result in denial of exemption.

SCHEDULE J (INVESTMENTS)

- ◉ As per section 13(2)(h) if any funds of the trust or institution are, or continue to remain, invested for any period during the previous year in any concern in which any person referred to in sub-section (3) has a substantial interest then the income or the property of the trust or institution or any part of such income or property shall, for the purposes of that clause, be deemed to have been used or applied for the benefit of a person referred to in section 13(3).
- ◉ In such cases exemption u/s 11 will not be allowed to the extent income is used for benefit of such person.
- ◉ in a case where the aggregate of the funds of the trust or institution invested in a concern in which any person referred to in sub-section (3) has a substantial interest, does not exceed five per cent of the capital of that concern, the exemption under section 11 or section 12 shall not be denied in relation to any income other than the income arising to the trust or the institution from such investment, by reason only that the funds of the trust or the institution have been invested in a concern in which such person has a substantial interest. This exemption does not apply to corpus donations.

SCHEDULE J (INVESTMENTS)

- ◉ In part D of the table, one has to furnish details of other investments held as on the last day of the previous year.
- ◉ In part E of the table, one has to furnish details of contributions/donations which are received in kind but has not been converted into the modes specified u/s 11(5). As per ITR- 7 This amount will be deemed as income u/s 11(3).

BALANCE SHEET

- ◉ In case of trusts balance sheet is to be given.
- ◉ This balance sheet should be mandatorily filed by all persons filling ITR 7. Please fill up the details of the Balance Sheet items as on 31st March, 2025, as per the given format, in respect of the Sources of funds and application of funds carried out during the financial year 2024-25.
- ◉ The reported figures of the balance sheet should match with the audited balance sheet, in case the accounts were required to be audited. Balance sheet shall be filled based on accounting principles. Balance sheet shall be filed based on accounting principles.
- ◉ Corpus fund will be reported in line Item (b) of A and general fund which gets accumulated due to 15% condition will be reported in this Item (c) of A. Income accumulated by virtue of Form No. 10 will be reported in clause (d) of Item A. Income deemed to be applied by virtue of Form No. 9A will be reported in clause (e) of item A.

SCHEDULE R

- ◉ Reconciliation of Corpus of Schedule J and Balance sheet
- ◉ Closing balance as on 31.03.2025 as per Schedule J
- ◉ Reasons of difference (+/-) (Bi+Bii+Biii)
- ◉ Purchase of FA
- ◉ Depreciation
- ◉ Any Other
- ◉ Closing balance as on 31.03.2025 as
- ◉ per Balance sheet (A+B)
- ◉ All amounts to be bifurcated as under:
- ◉ Corpus out of the donations received for renovation or repair of places notified u/s 80G(2)(b) on or after 01.04.2020
- ◉ Other corpus received on or after 01.04.2021
- ◉ Other Corpus

SCHEDULE VC (ALL TO FILL)

- ◉ This Schedule should be mandatorily filled up by all persons filing return in Form ITR-7.
- ◉ **A: Domestic Contribution (Other than anonymous donations taxable u/s 115BBC)**
- ◉ **B: Foreign contribution (other than anonymous donations taxable u/s 115BBC)**
- ◉ **C : Total of A and B**
- ◉ **D: Anonymous donations, chargeable u/s 115BBC [Applicable to assessee claiming exemption u/s 11 or 10(23C)(iv) or 10(23C)(v) or 10(23C)(vi) or 10(23C)(via) or 10(23C)(iiia) or 10(23C)(iiib) or 10(23C)(iiic) or 10(23C)(iiid) or 10(23C)(iiie)]**

SCHEDULE VC (ALL)

- ◉ In this Schedule, one has to fill up details of voluntary contributions received. In Part A, fill up the details of Domestic contribution giving clear break up
- ◉ under corpus donation as corpus donation received for the renovation or repairs of places notified u/s 80G(2)(b) and corpus donation other than u/s 80G(2)(B)
- ◉ and under other than corpus donation giving clear break up of grants received from Government,
- ◉ grants received from companies under Corporate Social Responsibility (CSR),
- ◉ other specific grants and
- ◉ other donations.

SCHEDULE VC (ALL)

- ◉ In Part B, fill up details of foreign contributions received, giving break up under corpus donation
- ◉ Corpus donations received for the renovation or repair of places notified u/s 80G(2)(b),
- ◉ corpus other than u/s 80G(2)(b),
- ◉ other than corpus donation.
- ◉ Purpose for which foreign contribution has been received is to be specified.
- ◉ Please report total amount of voluntary contributions received during the year in part C

SCHEDULE VC (ALL)

- ◉ In Part D, please mention the amount of anonymous donations chargeable at the rate of 30% under Section 115BBC, which is included in the total contributions reported at part C. Section 115BBC is applicable to assessee, being a person in receipt of income on behalf of any university or other educational institution referred to in sub-clause (iiiad) or sub-clause (vi) or any hospital or other institution referred to in sub-clause (iiiiae) or sub-clause (via) or any fund or institution referred to in sub-clause (iv) or any trust or institution referred to in sub-clause (v) of clause (23C) of Section 10 or any trust or institution referred to in Section 11.

SCHEDULE VC (ALL)

- ⦿ Assessee to report
- ⦿ Gross amount of such donations
- ⦿ Out of which higher of 1 lakh; or
- ⦿ 5% of total donation received.
- ⦿ Will be deducted and balance will be taxed
- ⦿ Assessee to report AD not liable to tax separately

SCHEDULE VC (ALL)

- ◉ The total amount of voluntary contributions mentioned at part C should be included in computation of total income in Part B-TI (Part B1 & B2), in case of assessee claiming exemption under [Section 11](#) or sub-clauses (iv), (v), (vi) or (via) of [Section 10](#)(23C) or [Section 13A](#) & 13B.
- ◉ The total amount of voluntary contributions mentioned at part C should be reported in the respective Income & Expenditure statement (i.e. Schedule IE-1 or Schedule IE-2 or Schedule IE-3 or Schedule IE-4), in case of assessee claiming exemption under other clauses of [Section 10](#).
- ◉ The total amount of voluntary contributions mentioned at part C should be reported in Schedule ET, in case of assessee claiming exemption under [Section 13B](#).

SCHEDULE A

- ◉ Schedule A requires reporting the funds applied to the stated objectives of the trust/institution during the previous year from all sources. The reported amount is to be bifurcated into Revenue and Capital. This schedule now requires disclosing donations to other registered/approved trusts or institutions. In this context, the following details must be provided:
- ◉ Donation(s) made to trust or institution(s) registered under Section 12AB or approved under Section 10(23C)(iv)/(v)/(vi)/(via) - Other than Corpus (100% of donations made need to be entered here) bifurcating among corpus and revenue
- ◉ 85% of the donation(s) made to trust or institution(s) registered under Section 12AB or approved under Section 10(23C)(iv)/(v)/(vi)/(via) - Other than Corpus

SCHEDULE A

- The Finance Act 2023 has provided that with effect from the assessment year 2024-25, the inter-charity donations shall be considered as the application only to the extent of 85% of the donation. If a charitable trust donates some money to another trust, the donor trust can be said to have applied its income for religious and charitable purposes. Only 85% of the eligible donations made by a trust or institution registered under Section 12AB to another trust or institution registered under Section 12AB or approved under Section 10(23C) shall be treated as the application of income.

SCHEDULE A

- The CBDT vide [Circular No. 3/2024](#), dated 06-03-2024, has clarified that eligible donations made by a trust/institution to another trust/institution shall be treated as application for charitable or religious purposes only to the extent of 85% of such donations. When a trust/institution donates Rs. 100 to another trust/institution, it will be considered to have applied 85% (Rs. 85) for the purpose of charitable or religious activity. It is further clarified that 15% (Rs. 15) of such donations by the donor trust/institution shall not be required to be invested in specified modes under Section 11(5) of the Act, as the entire amount of Rs. 100 has been donated to the other trust/institution and is accordingly eligible for exemption.

SCHEDULE A

- ◉ PART A: Application towards the stated objects of the trust/institution
- ◉ 85% of the donation(s) made to trust or institution(s) registered u/s 12AB or approved u/s 10(23C)(iv)/(v)/(vi)/(via)- Other than Corpus
- ◉ Application towards Religious, Relief of poor, Educational, Yoga, Medical relief, Preservation of environment, Preservation of monuments etc., GPU, Application which cannot be specifically identified, Cost of new asset for claim of Exemption u/s 11(1A) (restricted to the net consideration)
- ◉ The above amounts to be bifurcated as Revenue, Capital

SCHEDULE A

- ◉ **PART B: Expenditure not allowed as application**
- ◉ **Donation to trust or institution registered u/s 12AB or approved u/s 10(23C)(iv)/(v)/(vi)/(via) towards Corpus**
- ◉ **Donation to trust or institution registered u/s 12AB or approved u/s 10(23C)(iv)/(v)/(vi)/(via) other than towards corpus in case of donations out of accumulated income**
- ◉ **Donation to trust or institution registered u/s 12AB or approved u/s 10(23C)(iv)/(v)/(vi)/(via) not having same objects**

SCHEDULE A

- ◉ **PART B: Expenditure not allowed as application**
- ◉ **Donation to any person other than trust or institution registered u/s 12AB or approved u/s 10(23C)(iv)/(v)/(vi)/(via)**
- ◉ **Application outside India for which approval as per proviso to section 11(1)(c) is obtained**
- ◉ **Application outside India for which approval as per proviso to section 11(1)(c) is not obtained**
- ◉ **Applied for any purpose beyond the objects of the trust or institution**
- ◉ **Any other disallowable application**
- ◉ **The above amounts to be bifurcated as Revenue, Capital**

SCHEDULE A

- ◉ **PART C: Source of fund to meet revenue and capital application in Row A**
- ◉ **Income derived from the property/income earned during previous year (Excluding corpus) [C1]**
- ◉ **Income accumulated as under section 11(2) or third proviso to section 10(23C) in earlier years {Form 10 in earlier years}**
- ◉ **Income deemed to be applied in any preceding year under clause 2 of explanation 1 of section 11(1) (applicable only when exemption is claimed u/s 11 and 12) [Form 9A in any earlier year]**
- ◉ **Income of earlier years upto 15% accumulated or set apart**
- ◉ **The above amounts to be bifurcated as Revenue, Capital**

SCHEDULE A

- ◉ PART C: Source of fund to meet revenue and capital application in Row A
- ◉ Corpus
- ◉ Borrowed Fund
- ◉ Any other (Please specify)
- ◉ The above amounts to be bifurcated as Revenue, Capital
- ◉ Total of A-Total of B -C2 to C7 will be the Total Amount applied during the previous year
- ◉ Out of this Amount which was not actually applied during the previous year out of D (*if it is included in Sl. No. A12) will be reduced*
- ◉ And Amount actually paid during the previous year which accrued during any earlier previous year but not claimed as application of income in earlier previous year will be added
- ◉ This will give Total amount to be allowed as application which will go Part B-TI

SCHEDULE AI (OTHER THAN VC)

- ◉ In this Schedule, one has to furnish source-wise details of aggregate of income referred to in Section 11 and 12 derived during the previous year excluding voluntary contribution forming part of corpus as per Section 11(1)(d) and other voluntary contributions. In respect of other incomes reported at section No. 9, please specify the nature of income and the total amount during the year.
- ◉ The total of aggregate income mentioned at sl. No. 10 should be included in computation of total income in Part B1 of Part B-TI (item No.3).
- ◉ Voluntary Contributions and anonymous donations taxable u/s 115BBC (Other than Corpus) plus above income minus Amount eligible for exemption under section 11(1)(c) minus Donation(s) made to trust or institution(s) registered u/s 12AB or approved u/s 10(23C)(iv)/(v)/(vi)/(via)- Other than Corpus shall be the amount to be applied

SCHEDULE AI (OTHER THAN VC)

- ◉ Incomes to be reported as under:
- ◉ Receipts from main objects
- ◉ Receipts from incidental objects
- ◉ Rent
- ◉ Commission
- ◉ Dividend
- ◉ Interest
- ◉ Agricultural income
- ◉ Net consideration on transfer of capital asset
- ◉ Any other income

SCHEDULE 115TD

- ◉ **Accreted income under section 115TD (Applicable if exemption claimed u/s 11 and 12 or 10(23C)(iv)/10(23C)(v)/10(23C)(vi)/10(23C)(via) to be reported here. This tax is to be paid on own volition by the trustees. Such tax is levied at MMR**
- ◉ **Section 115TD applies**
- ◉ (a) converted into any form which is not eligible for grant of registration under section 12AA[Or section 12AB from 1-4-2021];
- ◉ (b) merged with any entity other than an entity which is a trust or institution having objects similar to it and registered under section 12AA [or section 12AB from 1-4-2021]; or
- ◉ (c) failed to transfer upon dissolution all its assets to any other trust or institution registered under section 12AA [or section 12AB from 1-4-2021] or to any fund or institution or trust or any university or other educational institution or any hospital or other medical institution referred to in sub-clause (iv) or sub-clause (v) or sub-clause (vi) or sub-clause (via) of clause (23C) of section 10, within a period of twelve months from the end of the month in which the dissolution takes place.

SCHEDULE 115TD

- ◉ ***When trust or institution deemed to have been converted into any form not eligible for registration***—A trust or an institution shall be deemed to have been converted into any form not eligible for registration under section 12AA [or section 12AB from 1-4-2021] in a previous year, if,—
- ◉ (i) the registration granted to it under section 12AA [or section 12AB from 1-4-2021] has been cancelled; or
- ◉ (ii) it has adopted or undertaken modification of its objects which do not conform to the conditions of registration and it, —
- ◉ (a) has not applied for fresh registration under section 12AA [or section 12AB from 1-4-2021] in the said previous year; or
- ◉ (b) has filed application for fresh registration under section 12AA [or section 12AB from 1-4-2021] but the said application has been rejected.
- ◉ (c) Fails to make application for re-registration/ renewal and period of making such application expires in the PY [FB, 2023]

SCHEDULE 115BBI

- ◉ Specified income of certain institutions under section 115BBI to be reported here
- ◉ Deemed income referred in Explanation 4 to the third proviso to section 10(23C) or section 11(3): Total of col. 15 of Schedule I
- ◉ Deemed income referred under section 11(1B)): Total of col. 8 of Schedule D
- ◉ Income which is deemed to be income under the twenty-first proviso to Section 10(23C) or which is not excluded from the total income as per section 13(1)(c)
- ◉ Income which is not exempt under section 10(23C) on account of violation of clause (b) of the third proviso of section 10(23C) or which is not excluded from the total income as per section 13(1)(d)
- ◉ Income which is not excluded from the total income as per section
- ◉ 11(1)(c)
- ◉ Income accumulated or set apart in excess of fifteen per cent of the income where such accumulation is not allowed under any specific provision of this Act.

PART B-TI

- ◉ Applicable if exemption is being claimed u/s 11 and 12 or 10(23C)(iv)/10(23C)(v)/10(23C)(vi)/10(23C)(via) and where Part B3 is not applicable.
- ◉ Part B3 applies Applicable if total income chargeable to tax u/s twenty-second proviso to section 10(23C) or section 13(10)

TOTAL INCOME-PART B

- ◉ In Part B-TI
- ◉ Out of total voluntary contributions which include corpus donations, other than corpus donations, grants, foreign contributions and anonymous donations not chargeable u/s 115BBC the corpus donations will be reduced and balance will be taken as **Voluntary Contributions and anonymous donations taxable u/s 115BBC (Other than Corpus)**
- ◉ **Voluntary contribution forming part of corpus other than anonymous donations taxable u/s 115BBC will auto populate**
- ◉ **Anonymous donations taxable u/s 115BBC @ 30% will not be treated as application and will be added to TI**

HOW TOTAL INCOME IS COMPUTED

- ◉ Part B1 applies where exemption u/s 11 or 10(23C)(iv)/(v)/(vi)/(via) is claimed
- ◉ Part B3 applies if **total income chargeable to tax u/s twenty-second proviso to section 10(23C) or section 13(10)**

RESIDUARY CLAUSE FOR REPORTING OF ADDITIONS

- ◉ [Part B-TI]
- ◉ In Part B-TI, when compiling an income statement, specific additions such as taxable specified incomes or disallowable amounts under Section 11(1)/10(23C) are reported. Earlier, there existed a specified list where the assessee was obligated to report taxable income under a particular Section or specific disallowances. However, a new column has now been inserted as a residuary clause to report any other income on which exemption is not allowable under the Income-tax Act.

HOW TOTAL INCOME IS COMPUTED

- ◉ Part B1: Item 1 to 5 determine income to be applied
- ◉ 1: Voluntary Contributions and anonymous donations taxable u/s 115BBC (Other than Corpus) This should match $[(C - A_i - B_i + E) \text{ of Schedule VC}]$
- ◉ 2A. Corpus representing donations received for the renovation or repair of places notified u/s 80G(2)(b) $[A_{ia} + B_{ia} \text{ of Schedule VC}]$ [Auto]
- ◉ 2B. Corpus other than above $[A_{ib} + B_{ib} \text{ of Schedule VC}]$ [Auto]
- ◉ 2. Total of both will be Voluntary contribution forming part of corpus other than anonymous donations taxable u/s 115BBC

HOW TOTAL INCOME IS COMPUTED

- 3. Aggregate of income referred to in sections 11, 12 and sections 10(23C)(iv), 10(23C)(v), 10(23C)(vi) and 10(23C)(via) derived during the previous year excluding Voluntary contribution included in 1 above should match with *(10 of Schedule AI)*
- 4. Amount eligible for exemption under section 11(1)(c)
- 5. Total income to be applied: $1 + 3 - 4 - 15\%$ of donation to other registered trust out of CY income

HOW TOTAL INCOME IS COMPUTED

- ◉ 6. Application of income for charitable or religious purposes or for the stated objects of the trust/institution
- ◉ Amount applied during the previous year [Excluding application from borrowed fund, deemed application, previous year accumulation upto 15% etc, i. e. not from the income of prev. year] *[Sr.no. G from Schedule A]*
- ◉ Repayment of loan during the previous year- *[Sr.no. 4 of table A2 of Schedule J]*

HOW TOTAL INCOME IS COMPUTED

- Amount applied during the previous year- invested or deposited back into specified mode of Corpus fund (disallowed earlier on application of fund for object of trust/institution) invested or deposited back, into one or more of the forms or modes specified in Section 11(5) maintained specifically for such corpus, from the income of that year and to the extent of such investment or deposit [*Sr.no. 4 of table A1 of Schedule J*]
- Amount deemed to have been applied during the previous year as per clause (2) of Explanation to section 11(1) < *Col 2 of Schedule D for FY 2024- 25*>- *Fill details of Form No. 9A*

HOW TOTAL INCOME IS COMPUTED

- Amount accumulated or set apart for application to charitable or religious purposes or for the stated objects of the trust/institution to the extent it does not exceed 15 per cent of income derived from property held in trust/ institution under section 11(1)(a)/11(1)(b) or in terms of third proviso to section 10(23C) {*restricted to maximum of 15% of [(1 +3 above) -(A1 of Schedule A)]*}-
- Caution: Here actual surplus from I&E is to be reported and not 15% of gross donations***

HOW TOTAL INCOME IS COMPUTED

- Amount in addition to amount referred to in (v) above, accumulated or set
- apart for specified purposes if all the conditions in section 11(2) and 11(5) or
- third proviso to section 10(23C) are fulfilled) <Col 2 of Schedule I for FY 2024-25>- Fill details of Form No. 10
- Total of all above will be application

HOW TOTAL INCOME IS COMPUTED

- ◉ Additions to income
- ◉ Income chargeable under section 115BBI
<Total of Sl. No 7 of Schedule 115BBI>
- ◉ Income in respect of which exemption under section 11 is not available, being anonymous donation (*Diii of schedule VC*)
- ◉ Income chargeable under section 12(2)
- ◉ Amount disallowable under section 11(1) r.w.s 40(a)(ia) or 10(23C) r.w.s. 40(a)(ia)

HOW TOTAL INCOME IS COMPUTED

- ◉ Additions to income
- ◉ Amount disallowable under section 11(1) r.w.s 40A(3)/(3A) or 10(23C) r.w.s. 40A(3)/(3A)
- ◉ Income as per Explanation 3B in case of violation of clause (a) or (b) or (c) of Explanation 3A to section 11(1) read with section 80G(2)(b)
- ◉ Income as per Explanation 1B in case of violation of clause (a) or (b) or (c) of Explanation 1A to section 10(23C) read with section 80G(2)(b)
- ◉ Any other income on which exemption is not allowable under the Incometax Act
- ◉ Total will be added to TI
- ◉ Income chargeable u/s 11(4) to be reported separately

HOW TOTAL INCOME IS COMPUTED

- ◉ Gross income after Exemption u/s 11/10(23C)(iv)/10(23C)(v)/10(23C)(vi)/10(23C)(via) will be income to be applied plus additions plus 11(4) income minus income applied
- ◉ Headwise income not forming part of above will be added to above
- ◉ That will be total income out of which CY losses will be allowed

HOW TOTAL INCOME IS COMPUTED

- ◉ Out of total income
- ◉ Income which is included in 13 and chargeable to tax at special rates (*total of col. (i) of schedule SI*)
- ◉ Anonymous donations, included in 13, to be taxed under section 115BBC @ 30% (*Diii of Schedule VC*)
- ◉ Specified Income chargeable u/s 115BBI, included in 13, to be taxed @ 30% (*Sl. No. 7 of Schedule 115BBI*)
- ◉ Will be excluded and
- ◉ Aggregate Income to be taxed at normal rates (13-14-15-16) will be arrived at

HOW TOTAL INCOME IS COMPUTED

- **Part B3: Applicable if total income chargeable to tax u/s twenty-second proviso to section 10(23C) or section 13(10)- Fill details in A26 of Part A General**

HOW TAX WILL BE DETERMINED

- ◉ On Total income as per Part B1-TI: At slab rates
- ◉ On Special incomes : At that rate
- ◉ On anonymous donations: At 30%
- ◉ On income as per Schedule 115BBI: At 30%
- ◉ Net tax payable on 115TD income including interest u/s 115TE
- ◉ *(Sr.no. 12 of Schedule 115TD) to be added*

SCHEDULE IE-1

- ◉ In one is claiming exemption under Section 10(21) or 10(23AAA) or 10(23B) or 10(23D) or 10(23DA) or 10(23EC) or 10(23ED) or 10(23EE) or 10(23FB) or 10(29A) or 10(46) or 10(46A) or 10(46B) or 10(47) than has to furnish the Income & Expenditure statement for the year in this Schedule
- ◉ One has to report total receipts including voluntary contributions, application towards object of the institution and accumulation of income in the respective fields. The disclosure of all receipts is mandatory in case claim of TDS credit has been made.
- ◉ The amount of exemption to be mentioned in Part B-TI-Part B2 against the relevant clause of Section 10

SCHEDULE IE-2

- ◉ If one is claiming exemption under Section 10(23A) or 10(24) then he has to furnish the Income & Expenditure statement for the year in this Schedule, if you are claiming exemption under Section 10(23A) or 10(24)
- ◉ In part A of this Schedule, one has to report total receipts including voluntary contributions, application towards object of the institution and accumulation of income in the respective fields. The disclosure of all receipts is mandatory in case claim of TDS credit has been made.
- ◉ In part B of this Schedule, one has to report details of taxable income, if any, for the previous year under the heads of 'house property', 'business or profession', 'capital gains' and 'other sources'. Please ensure to fill up the relevant Schedule applicable for the respective head of income based on checkbox selection (If selected as 'Yes' then please fill applicable schedule) and the head-wise incomes should be included in computation of total income in Part B-TI-Part B2 at item No 8.

SCHEDULE IE-2

- For assessee referred under Section 10(23A), exemption is not applicable on income from house property and income from interest or dividend. These incomes to be entered in the respective income schedules and tax on the same to be computed.
- For assessee referred under Section 10(24) exemption is not applicable on income from business & professions and income from capital gains. These incomes to be entered in the respective income schedules and tax on the same to be computed.
- The amount of exemption to be mentioned in Part B-TI-Part B2 against section No. 1c for Section 10(23A)/s. No. 2h for Section 10(24).

SCHEDULE IE-3

- ◉ If one is claiming exemption under sub-clauses (iiiab) or (iiiac) of Section 10(23C) (i.e. university or other educational institutions or hospital or other similar institutions wholly or substantially financed by the Government), thus it has to furnish the Income & Expenditure statement for the year in this Schedule, exemption under sub-clauses (iiiab) or (iiiac) of Section 10(23C) (i.e. university or other educational institutions or hospital or other similar institutions wholly or substantially financed by the Government).

SCHEDULE IE-3

- One need to specify object of the institution from the dropdown list provided and mention complete address for each institution separately where the activities being carried out. Please report total receipts including any voluntary contributions, Government grants out of the total receipts, application towards object of the institution and accumulation of income in the respective columns. The disclosure of all receipts is mandatory in case claim of TDS credit has been made. Trust/institutions are eligible for exemption under [Section 10\(23C\)\(iiiab\)](#) or [10\(23C\)\(iiiac\)](#) only if they receive Government grants. Refer [Rule 2BBB](#).
- The amount of exemption to be mentioned in Part B-TI-Part B2 against section No. 2a for [Section 10\(23C\)\(iiiab\)](#)/s. No. 2b for [Section 10\(23C\)\(iiiac\)](#).

SCHEDULE IE-4

- ◉ If one is claiming exemption under sub-clauses (iiiad) or (iii ae) of [Section 10](#)(23C) (i.e. university or other educational institutions or hospital or other similar institutions if the aggregate annual receipt does not exceed the Five Crore rupees), thus it has to furnish the Income & Expenditure statement for the year in this Schedule
- ◉ One need to specify object of the institution from the dropdown list provided, and mention complete address for each institution separately where the activities being carried out. Please report gross annual receipts, amount applied towards object of the institution and accumulation of income in the respective columns. The disclosure of all receipts is mandatory in case claim of TDS credit has been made.
- ◉ The amount of exemption to be mentioned in PartB2 of B-TI against section No. 2c for [Section 10](#)(23C)(iiiad)/s. No. 2d for [Section 10](#)(23C)(iii ae).