

# Seminar on Direct Taxes



## DTC of the ICAI



# **“Taxation of Charitable Institutions”**

**CA. CHANDRASHEKHAR V. CHITALE**

**Chairman, Direct Taxes Committee and  
Central Council Member, ICAI**



- **Charity**



# Charity

- Section 2(15) "charitable purpose"
- includes (i) relief of the poor, (ii) education, (iii) yoga, (iv) medical relief, (v) preservation of environment (including watersheds, forests and wildlife) and (vi) preservation of monuments or places or objects of artistic or historic interest, and (vii) the advancement of any other object of general public utility:

# Charity

**Provided** that the advancement of any other object of general public utility shall not be a charitable purpose, if it involves the carrying on of any activity in the nature of trade, commerce or business, or any activity of rendering any service in relation to any trade, commerce or business, for a cess or fee or any other consideration, irrespective of the nature of use or application, or retention, of the income from such activity, unless —

# Charity

- (i) such activity is undertaken in the course of actual carrying out of such advancement of any other object of general public utility; and
- (ii) the aggregate receipts from such activity or activities during the previous year, do not exceed **20%** of the total receipts, of the trust or institution undertaking such activity or activities, of that previous year;

# Religious Objects

“**Religious purpose**” includes the advancement, support or propagation of a religion and its tenets. A trust made for any of these purposes is said to be a religious trust. The creation of Religious Trust is governed by the personal laws of the religion. But in general connotation, it can be deemed as the Trusts which are involved in the activities of promoting religion or particular belief.

**The exemption under section 11 is, however, confined to public religious trusts only.**

Any income of a trust for private religious purposes is not eligible for exemption.



# Religious Objects

SC Tilkayat Shri Govindlalji Maharaj etc. vs. State of Rajasthan & Ors. [AIR 1963 SC 1638],

Answers to the questions viz. are the members of the public entitled to take part in offering service, taking darshan in the temple, are the members of the public entitled to take part in the festivals and ceremonies arranged in the temple, are their offerings accepted as a matter of right will establish the character of the temple. Therefore, the participation of members of the public in darshan in temple and in the daily acts of worship, in celebrations of festive occasions are important factors to determine character of temple



# Canvass

- Donations
- Exemption
- Registration



- **Donations**



# Donation

## Section 80G

- (1) There shall be deducted, from total income, in accordance with & subject to the provisions of Sec 80G:
  - (ii) in any other case, an amount equal to fifty per cent of the aggregate of the sums specified in Sec 80G(2).
- (2) The sums referred to in sub-section (1) shall be the following, :
  - (iv) any other trust/ institution to which Sec 80G applies;
- (5) Sec 80G applies to donations to any institution u/s 80G (2)(iv)(a), only if it is established in India for a charitable purpose and if it fulfils the following conditions

# Donation

- Section 80G(5)
- (viii) the institution prepares prescribed statement for such period and deliver it to the prescribed income-tax authority such statement in such form and verified in such manner and setting forth stated particulars and within such time as may be prescribed: **[FORM 10BD – 31 May]**
- a correction statement for rectification of any mistake or to add, delete or update the information furnished in the statement can be delivered
- W.e.f. 1-4-2021 / Rule 18AB

# Donation

- Section 80G(5)
- (ix) the institution furnishes to the donor, a certificate specifying the amount of donation, containing prescribed particulars and by the prescribed due date : **[FORM 10BE]**
- *W.e.f. 1-4-2021 / Rule 18AB / 31 May*
- **Failure to comply – Form 10 BD / 10BE**
- **S. 234G: fee of Rs.200/- p. d. Max Fees Cap**
- **S. 271K: Penalty Rs.10,000/- to Rs. 1 lakh**

# Donation

- **Form 10BD**
- Form 10BD has two parts -
- Part A the Donee's details.& Part B the Donor's details.
- **Part A** will be prefilled in the online utility for filing Form.
- Trust needs to fill Part B.
- The online utility provides the facility of uploading data in CSV format on the portal. The user needs to download the Excel file, fill in the details of donations received during the financial year and then upload the data to the portal in CSV file format.

# Donation

- **Issues**
- Limit on amount of Donations for reporting
- Particulars – not available, incomplete
- Donations in ‘Offering Box’
- Donation in foreign currency
- Donations in Kind
- Online fund transfer and no particulars
- Donation received from Other Charitable Trust



# Donation

- Issues
- Record lost in flood
- Anonymous Donations (Section 115BBC)
- How many times Form 10BD can be revised?

- **Exemption**



# Scheme of Exemption

- Exemption Scheme
- Conditions for Exemption
- Withdrawal of Exemption
- Income of Institution
- Application of Income
- Accumulation Provisions

- Exemption Scheme



# Exemption Scheme

- Section 11
- Accumulation of Maximum 15% of Income
- Application of 85% of Income
- Compliance of Conditions
- Avoiding Withdrawal of Exemption

# Exemption Scheme

S.N.	Particulars	Rupees	
1	Donations Received	7,00,000	
2	Membership Fees	8,00,000	
3	Rent	5,00,000	

*What is total income?*

What is maximum amount of accumulation?

What is maximum amount of Application?

Whether application for Purchase of Ambulance or Construction of Premises Rs. 2.00 Cr. is allowed?

- **Conditions for Exemption**





# Conditions for Exemption

- Section 12A

- (i) Registration – S 12A(1)(ac)

- (ii) Books of Account – S 12A(1)(b)(i)

*[w.e.f. A. Y. 2023-24]*

- (iii) Audit of Accounts – S 12A(1)(b)(ii)

- (iv) Return u/s 139(4A) – S 12V(1)(ba)

- (v) Application of S 11, 12 – S 12A(2)

# Registration

- **Sec 12A(1)(ac)** *the person in receipt of the income has made an application in the prescribed form and manner to Pr. Commr / Commissioner, for registration of the institution*
- *Application is made in prescribed time & form*
- *the institution is registered under section 12AB.*
- **Sec 12AB:** *Registration is for 5 years, renewal necessary thereafter*
- **Form 10A/ 10AB Application Reregistration – R 17A**

# Books of Account

- Sec 12A(1)(b)(i) [*w.e.f. A. Y. 2023-24*]  
(b) total income of the institution without giving effect to Sec. 11 and 12 exceeds the maximum amount not chargeable to income-tax in any previous year,—  
(i) the books of account and other documents be kept and maintain in Prescribed 1. Form 2. Manner and 3. Place

# Audit of Accounts

- **Sec 12A(1)(b)(ii):**

(b) total income of the institution without giving effect to Sec. 11 and 12 exceeds the maximum amount not chargeable to income-tax in any previous year,—

(ii) The accounts of the institution for that year require audit by accountant - *Explanation* below Sec. 288(2)

before the specified date as per Sec 44AB and

Furnish by that date the report of such audit

Report form is prescribed – Rule 17B / **Form 10B**

# Return u/s 139(4A)

- Sec. 12V(1)(ba)
- The person in receipt of the income has to furnish the return of income for the previous year in accordance with the provisions of section 139 (4A), within the time allowed under that section.
- Due Date 31<sup>st</sup> July / 31<sup>st</sup> October
- Penalty – S 271F – 5,000 + **No S 11**

# Return u/s 139(4A)

- Sec. 139(4A) :Every trust, etc. for charitable or religious purposes shall, if the total income computed under this Act without considering exemption U/s 11 and 12 exceeds the maximum amount which is not chargeable to income-tax,
- furnish a return of such income of the previous year in the prescribed form, verification, manner and all the provisions of this Act shall apply as if it is a return furnished U/s 139(1)

# Application of Income

- Sec 12A(2)
- Sec 11, 12 –
- Maximum Accumulation – 15%
- Balance must be Application
- If Application is Not Possible?



- **Withdrawal of Exemption**



# Withdrawal of Exemption

## Section 13

**Sec. 13(1)(a):** Any part of the income of a trust for private religious purposes **which does not enure for the benefit of the public**

**Sec. 13(1)(b):** Charitable institution established after the commencement of this Act, any income thereof of the institution, if it is established for the benefit of any particular religious community or caste;

# Withdrawal of Exemption

## Section 13

**Sec. 13(1)(c):** Any part of income or property enures, or during the previous year used or applied directly or indirectly for the benefit of any person referred to in Section 13(3).

**Sec. 13(1)(d):** Any funds are invested/ deposited otherwise than in any of the forms or modes specified in section 11(5)

# Withdrawal of Exemption

Sec. 13(3) The persons referred to in Section 13(1)(c) & 13(2):

(a) author/ founder of trust or institution;

(b) person who has made a substantial contribution to the trust or institution (> **Rs. 50,000**), up to the end of the relevant previous year

(c) if author / founder is a HUF, a member thereof

(cc) any trustee of the trust or manager (by whatever name called) of the institution;

# Withdrawal of Exemption

Sec. 13(3) The persons referred to in Section 13(1) (c) & 13(2):

(d) any relative 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.

# Withdrawal of Exemption

**Sec. 13(2):** Deemed Application for persons U/s 13(3):

(a) if any part of the income / property of the institution is, lent to person referred to in Sec 13(3) **without adequate** security / interest / both;

(b) if any land, building or property is made available for the use of person referred to in Sec 13(3), **without charging adequate rent / compensation;**

(c) Salary, allowance, etc. to person u/s 13(3) for services rendered to institution, **being unreasonable**

# Withdrawal of Exemption

(d) if the services of the institution are made available to person referred to in Sec 13(3) without adequate remuneration or other compensation;

(e) if any share, security or other property is purchased from person u/s 13(3), for consideration which is more than adequate;

(f) if any share, security or other property is sold to person Sec 13(3) for consideration which is less than adequate;



# Withdrawal of Exemption

- (g) if any income or property of the institution exceeding Rs. 1,000 is diverted during the previous year in favour of such person:
- (h) if any funds of the institution are, or continue to remain, invested during the previous year, in any concern in which any person referred to in Sec 13(3) has a substantial interest.

- **Income of Institution**



# Income of Institution

- Voluntary Contribution – S 2(24)(iia)
- Income from Property Held
  - Wholly – S 11(1)(a)
  - Partly – S 11(1)(b)
  - International Objects – S 11(1)(c)
  - Corpus – S 11(1)(d)
  - Capital Gains – S 11(1A)
  - Business – S 11(4)

# Income of Institution

- Voluntary Contribution – S 2(24)(iia)
- Voluntary Contribution – S 12(1)
- Any voluntary contributions received by a trust created wholly for charitable or religious purposes or by an institution established *(not being contribution the corpus)*
- shall for the purposes of [section 11](#) be deemed to be income derived from property held under trust wholly for charitable or religious purposes

# Income of Institution

1. Institution Receives Donation of Rs. 3 lakh
2. Membership fees received Rs. 50,000
3. Capital Contribution received Rs. 10 lakh
4. Contri. for Building Construction Rs. 1 Cr.
5. Contribution for vaccination Drive Rs. 5 lakh
6. Interest on FD / Rent Rs. 4 lakh
7. Interest on RBI Tax Free Bonds
8. Agricultural Income Rs. 3,60,000

# Income of Institution

S.N.	Particulars	Rupees	
1	Donations Received	7,00,000	
2	Membership Fees	8,00,000	
3	Interest	3,00,000	
4	Rent	2,00,000	
5	Donation for Building	9,00,000	

*What is total income?*

Any condition is applicable?

# Income of Institution

- Corpus – S 11(1)(d)
- income in the form of voluntary contributions made with a specific direction that they shall form part of the corpus of the trust or institution
- From 1-4-2022 [A. Y. 2022-23] [*subject to the condition that such voluntary contributions are invested or deposited in one or more of the forms or modes specified in sub-section (5) maintained specifically for such corpus*].

# Application of Income

<b>S.N.</b>	<b>Particulars</b>	<b>Rupees</b>	
1	Income	7,00,000	
2	Interest	3,00,000	
3	Corpus Donation	3,00,000	
4	Charitable Expenses	13,00,000	
4	Ambulance Purchased	10,00,000	
4	Hospital Construction – WIP	9,00,000	
5	Investments	2,00,000	



# Income of Institution

## Capital Gains – S 11(1A)

Where a capital asset is transferred and the net consideration is utilised for acquiring another capital asset to be so held, then, the capital gain is deemed to have been applied to charitable or religious purposes to the extent specified hereunder, namely:—

(i) the whole of the net consideration is utilised for new capital asset, the whole of such capital gain;

# Income of Institution

(ii) where only a part of the net consideration is utilised 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 utilised exceeds the cost of the transferred asset;

# Income of Institution

S.N.	Particulars	Rupees	
1	Asset Sale	10,50,000	
2	Commission paid	50,000	
3	Cost of Asset Sold	4,00,000	
4	Indexed Cost	6,00,000	
5	New Asset Purchase	11,00,000	

*What if New Asset Cost is Rs. 5 lakh?*

*What if Medical Assistance is provided Rs. 4 lakh?*

# Income of Institution

## Business – S 11(4)

“Property held under trust” includes a **Business Undertaking**, and where a claim is made that the income of any such undertaking shall not be included in the total income of the institution, the AO has power to determine the income of such undertaking in accordance with the provisions of this Act; and where any income so determined is in excess of the income as shown in the accounts, such **excess** shall be deemed to be applied to purposes other than charitable or religious purposes.

# Income of Institution

Business – S 11(4A)

• Sub-section (1) or sub-section (2) or sub-section (3) or sub-section (3A) of Sec 11 shall not apply in relation to any income of a trust or an institution, being profits and gains of business, unless the business is incidental to the attainment of the objectives of the trust or, as the case may be, institution, and separate books of account are maintained by such trust or institution in respect of such business.

# Income of Institution

S.N.	Particulars	Rupees	
1a	Medical Treatment Value	1,00,000	
1b	Fees Charged	000	
	Fees Charged	80,000	
2a	College Fees Value	1,00,000	
2a	Fees Charged	000	

*Is there any income in these transactions?*

Medical or Education Services – S 12(2)

# Income of Institution

## Business – S 12(2)

• Value of any services, being medical or educational services, made available by any trust running hospital / medical institution / educational institution, to any person referred to in [Sec 13 \(3\) – Clause \(a\), \(b\), \(c\), \(cc\) or \(d\)](#) is deemed to be income of such institution during the previous year in which such services are provided and shall be chargeable to income-tax notwithstanding provisions of [Sec 11.\(1\)](#)

# Income of Institution

## Business – S 12(2)

• *Explanation.*—For the purposes of this sub-section, the expression "value" shall be the value of any benefit or facility granted or provided free of cost or at concessional rate 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](#).



- Application of Income



# Application of Income

- Income Applied for Objects
- **Charitable or Public Religious or Both**
- **Max Accumulation 15% of Income**
- **Minimum Amount 85% of Income**
- Application – In India
- Application – Outside India:  
Only if there is Order of the Board

# Application of Income

- Loan Given for Higher Studies – No Interest or Interest is Charged
- Donation to other trust – application – actual application by other trust not necessary
- Purchase of Ambulance – Capital Exp.
- Administrative Expenditure
- Repairs, rates and Taxes of Buildings

# Application of Income

- Giving Corpus Donation to Other Trust - **Excluded** –
- *Section 11(1) Explanation 2.*—Any amount credited or paid, to any fund or trust or institution or any university or other educational institution or any hospital or other medical institution referred to in Sec 10(23C) (iv) or (v) or (vi) or (via) 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 public religious purposes.

# Application of Income

- *Section 11(1) Explanation 3.*— **Disallowances**
- For the purposes of determining the amount of application under clause (a) or clause (b), the provisions of
- Section 40 (ia) and (a) and
- Section 40A (3) and (3A)
- shall, *mutatis mutandis*, apply as they apply in computing the income chargeable under the head "Profits and gains of business or profession".

# Application of Income

- *Section 11(1) Explanation 3A.—* **Repairs Donations**
- Where the property held under a trust includes any **temple, mosque, gurdwara, church or other place** notified under section 80G(2)(b),
- any sum received as voluntary **contribution** for **renovation or repair** of such temple, etc; may, **at its option**, be treated by such trust as forming part of the **corpus of the trust**, subject to the condition that the trust or the institution,—

# Application of Income

- *Section 11(1) Explanation 3A.—*
- (a) applies such corpus only for the purpose for which the voluntary contribution was made;
- (b) does not apply such corpus for making contribution or donation to any person;
- (c) maintains such corpus as separately identifiable; and
- (d) invests such corpus in the forms and modes specified under section 11 (5).

# Application of Income

- *Section 11(1) Explanation 3B.—*
- **Corpus – Conditions Violated**
- Where any institution has treated any sum received as part of the corpus, and subsequently any of the conditions specified in clause (a) or (b) or (c) or (d) of the said *Explanation* is violated, such sum shall be deemed to be the income of such trust or institution of the previous year during which the violation takes place.



# Application of Income

- *Section 11(1) Explanation 4.—*
- *(i) application for charitable or religious purposes from the corpus, shall not be treated as application*
- **Provided** *that the amount not so treated as application,, shall be so treated in the previous year in which the amount, is invested back, into the form/s specified in Sec 11 (5) and maintained specifically for such corpus,*
- *from the income of that year and*
- *to the extent of such investment;*

# Application of Income

- *Section 11(1) Explanation 4.—*
- *(ii) application for charitable or religious purposes, from any loan or borrowing, shall not be treated as application of income for charitable, etc. purposes:*
- **Provided** *that the amount not so treated as application, or part thereof, shall be treated as application for charitable, etc. 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.*

# Application of Income

- *Section 11(1) Explanation 5.—*
- *For the purposes of this Sec 11, it is hereby clarified 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.*

# Application of Income

- *Section 11(6).*—
- In this section where any income is required to be applied or accumulated or set apart for application, then, for such purposes the income shall be determined without any deduction or allowance by way of depreciation or otherwise in respect of any asset, acquisition of which has been claimed as an application of income under this section in the same or any other previous year.

# Application of Income

- *Section 11 Explanation.— A. Y. 2022-23*
- For the purposes of this section, any sum payable by any trust or institution shall be **considered as application** of income in the **previous year in which such sum is actually paid** by it irrespective of the previous year in which the liability to pay such sum was incurred by the trust or institution according to the method of accounting regularly employed by it:
- **No proviso like Sec 43B**

# Application of Income

- *Section 11 Explanation.— A. Y. 2023-24*
- **Provided** that where during any previous year, any sum has been claimed to have been applied by the trust or institution, such sum shall not be allowed as application in any subsequent previous year.

- Accumulation Provisions





# Accumulation of Income

- Section 11 - *Explanation 1.(2)*— Routine Accumulation
- if, in the previous year, the income applied to charitable or religious purposes in India falls short of eighty-five per cent of the income derived during that year from property held under trust, or, as the case may be, held under trust in part, by any amount—
  - (i) for the reason that the whole or any part of the income has not been received during that year, or
  - (ii) for any other reason,
- then—



# Accumulation of Income

- Section 11 - *Explanation 1.(2)*—
- (a) in sub-clause (i), so much of the income applied to such purposes in India during the previous year in which the income is received or during the previous year immediately following
- (b) in sub-clause (ii), so much of the income applied to such purposes in India during the previous year immediately following the previous year in which the income was derived as does not exceed the said amount

# Accumulation of Income

- Section 11 - *Explanation 1.(2)*—
- At the option of the person in receipt of the income (such option to be exercised before the expiry of the time allowed under section 139(1) for furnishing the return of income, in such form and manner as may be prescribed be deemed to be income applied to such purposes during the previous year in which the income was derived;
- **Rule 17 / Form 9A – before due date for ROI**

# Accumulation of Income

- Section 11 - *Explanation 1.(2)*—
- and the income so deemed to have been applied shall not be taken into account in calculating the amount of income applied to such purposes, in the case referred to in sub-clause (i), during the previous year in which the income is received or during the previous year immediately following, as the case may be, and, in the case referred to in sub-clause (ii), during the previous year immediately following the previous year in which the income was derived.

# Accumulation of Income

<b>S.N.</b>	<b>Particulars</b>	<b>Rupees</b>	
1	Income	6,00,000	
2	Interest Accrued, Not recd	4,00,000	
3	Application	3,00,000	
4	Interest Received Year 2	4,00,000	
5	Interest Received Year 4	4,00,000	
	Application amount?		
	Year?		

# Accumulation of Income

- **Section 11 (1B) — Accumulation Not Applied**
- Where an option is exercised under of the *Explanation* 1(2) to Sec. 11(1) is not applied to charitable during the period referred to in sub-clause (a) or (b), such income shall be deemed to be the income-
- (a) sub-clause (i) of the previous year immediately following the previous year in which the income was received; or
- (b) sub-clause (ii) of the previous year immediately following previous year in which income was derived.

# Accumulation of Income

<b>S.N.</b>	<b>Particulars</b>	<b>Rupees</b>	
1	Income	6,00,000	
2	Interest Accrued, Not recd	4,00,000	
3	Application	3,00,000	
4	Interest Received Year 2	4,00,000	
	Application in Year 2	1,00,000	
5	Interest Received Year 4	4,00,000	
	Application in Year 4	3,40,000	

# Accumulation of Income

- Section 11 (2) — **5 Year Accumulation**
- Where 85% of the income referred Sec 11(1) is not applied, during the previous year but **is accumulated or set apart**, either in whole or in part, for application to such purposes in India, such income so accumulated or set apart shall not be included in the total income of the previous year provided the following conditions are complied with, namely:—



# Accumulation of Income

- Section 11 (2) — **5 Year Accumulation**
- (a) such person furnishes a statement in the prescribed form and manner to the AO, stating the purpose for which the income is being accumulated and the period for which the income is to be accumulated
- Period shall in no case exceed five years;
- Excluding period of order or injunction of any court,
- (b) the money so accumulated is invested or deposited in the forms or modes specified in Sec 11(5);



# Accumulation of Income

- Section 11 (2) — **Donation to Other Institution**
- (c) the statement is furnished on or before the due date under Sec 139(1) for furnishing the return for PY:.
- *Explanation.*— Amount credited or paid, out of income as per section 11(1) - clause (a)/ (b) r.w. *Explanation* section 11(1), which is not applied, but is accumulated, to any institution registered u/s 12AA or 12AB or to any fund, institution, etc. referred to in Sec 10(23C), **shall not be treated as application** of income for charitable or religious purposes, either during the period of accumulation or thereafter.

# Accumulation of Income

<b>S.N.</b>	<b>Particulars</b>	<b>Rupees</b>	
1	Income FY 2021-22	10,00,000	
2	Interest Accrued, Not recd	10,00,000	
3	Application	5,00,000	
4	Accumulation – Sec 11(2)	?	
	Application till Year	?	
5	Alternate Accumulation Plan?		
	Application in 2022-23	?	

# Accumulation of Income

- Section 11 (3) —
- Any income referred to in sub-section (2) which—
- (a) is applied to purposes other than charitable/ religious purposes as aforesaid or ceases to be accumulated or set apart for application thereto, or
- (b) ceases to remain invested or deposited Sec. 11(5) or
- (c) is not utilised for the purpose for which it is so accumulated or set apart during the period referred to in Sec. 11(2)(a) or in the year immediately following the expiry thereof,

# Accumulation of Income

## Section 11 (1) Explanation 2 / Section 11(2)

- Delay up to 365 days in submission of Form No. 9A or Form No. 10 can be condoned by the Commissioner on merits. Section 11(2) accumulation should have been invested as per section 11(5) of the Act.
- Circular No. 1 of 2020 3-1-2020

# Accumulation of Income

- Section 11 (3) —
- Any income referred to in sub-section (2) which—
- (d) is credited or paid to any trust / institution registered under [Sec. 12AA](#) / [12AB](#) / to any fund / institution, etc. / other educational institution or any hospital / other medical institution referred to in [section 10](#) (23C),
- shall be **deemed to be the income** of the previous year in which it is so applied / ceases to be so accumulated / ceases to remain so invested, etc. **of the previous year immediately following the expiry of the period aforesaid.**

# Accumulation of Income

- Section 11 (3A) —
- Where due to circumstances beyond the control, any income invested or deposited in accordance with the provisions of Sec 11(2) cannot be applied for the purpose for which it was accumulated, the AO may, on an application made to him, allow such person to apply such income for such other charitable or religious purpose in India as is specified in the application and as is in conformity with the objects of the trust; and thereupon ,,,,,,,,,,

# Accumulation of Income

- Section 11 (3A) —
- .....and thereupon the provisions of Sec 11(3) shall apply as if the purpose specified by such person in the application under this sub-section were a purpose specified in the notice given to the AO u/s 11 (2):
- **Provided** that the Assessing Officer shall not allow application of such income by way of payment or credit made for the purposes referred to in Sec 11(3)(d)



# Accumulation of Income

- Section 11 (3A) —
- **Provided further** that in case the trust or institution, which has invested or deposited its income in accordance with the provisions of Sec 11(2)(b),
- is dissolved, the AO may allow application of such income for the purposes referred to in Sec 11(3)(d) in the year in which such trust or institution was dissolved.
- Sec 11(3)(d) – credit/ payment to any trust / institution registered under [Sec. 12AA](#) / [12AB](#) / to any fund / institution, etc. referred to in [section 10](#) (23C),



- Mode of Investment



# Modes of Investment

- Section 11 (5)—
- The forms and modes of investing or depositing the money referred to in clause (b) of sub-section (2) shall be the following, namely :—
  - (i) investment in savings certificates U/s 2(c) of Government Savings Certificates Act, 1959 and other securities, certified issued by the Central Govt - Small Savings Schemes
  - (ii) deposit in account with the Post Office Savings Bank;
  - (iii) deposit in any account with a scheduled bank or a co-operative

# Modes of Investment

- (iv) investment in units of the Unit Trust of India
- (v) investment in any security for money created and issued by the Central Government / State Government;
- (vi) debentures issued by company or corporation both the principal and the interest fully and unconditionally guaranteed by the Central / State Government
- (vii) investment or deposit in any public sector company: (Conditions Apply)

# Modes of Investment

- Section 11 (5)—
- Deposits / bonds issued of financial corporation engaged in long-term finance Sec. [36\(1\)\(viii\)](#);
- (*viii*) for industrial development in India
- (*ix*) for construction or purchase of houses in India for residential purposes
- (*ixa*) for urban infrastructure in India.
- (*x*) investment in immovable property.

# Modes of Investment

- (xi) deposits with the Industrial Development Bank of India;
- (xii) any other form or mode of investment or deposit as may be prescribed – [Rule 17C](#)
- Sec. 10(23D) MF Units, Public Account, Authority for housing accommodation, Depositories (equity), Recognised Stock Exchange (equity), Payment and Settlement Systems (equity, bonds), Incubator (equity), national Skill Development Corporation (equity), RBI – Infrastructure Finance Company (debt), Souverign Gold Bond Scheme – under specified conditions

# Summary

## Provisions for Exemption for Charitable Institutions



# Taxation of Charitable Institutions

<b>SEC.</b>	<b>PROVISION</b>
<b>11</b>	<b>Income from property held for charitable or religious purposes.</b>
<b>12</b>	<b>Income of trusts or institutions from contributions</b>
<b>12A</b>	<b>Conditions for applicability of sections 11 and 12</b>
<b>12AA</b>	<i>Procedure for Registration</i>
<b>12AB</b>	<i>Procedure for fresh registration</i>
<b>13</b>	<b>Section 11 not to apply in certain cases</b>

# Issues

Participants may raise





Thank You

CA C. V. Chitale CCM