Registered Non-Profit Organisations

- 12 Special provision relating to incomes of political parties [13A]
- 12 Special provisions relating to voluntary contributions received by electoral trust[13B]

- **CHAPTER XVII**
- **SPECIAL PROVISIONS RELATING TO CERTAIN PERSONS**
- **B.—Special Provisions for Registered Non-Profit Organisations**
- **1.-Registration**
- 332. Application for registration.[12(1)(ac)(proviso) , 2A(2),12AB(1)(3)]-NEW-Table has 7 items-time limits and validity
- 333. Switching over of regimes. [11(7)]

• 2.—Income of registered non-profit organisation

- 334. Tax on income of registered NPOs. -NEW
- 335. Regular income. [11(1)(Expl)(1)(1),(2),12(1)]-NEW
- 336. Taxable regular income. [11(1)(a),(b)]
- 337. Specified income & its incident of taxation. Table has 11 items [11(1)(Expl)(3B) ,(3)(a),(b),(c),(d), 12(2), 13(1)(c), (2), 115BBC]
- 338. Income not to be included in regular income.[11(1)(c),(d)]
- 339. Corpus donation. [11(1)(d)]
- 340. Deemed corpus donation. [11(1)(Expl)(3A)(1)]
- 341. Application of income. [11(1)(Expl)(2),(3),(4)(i),(4)(i)(proviso),(ii),(iii), (5),(6),(7),(Expl)]
- 342. Accumulated income. [11(2)(a),(b),(c), proviso, Expl,(3A), (1st & 2nd proviso),13(9)]
- 343. Deemed accumulated income. -NEW

• 3.—Commercial activities by registered NPOs

- 344. Business undertaking held as property. [11(4)]
- 345. Restriction on commercial activities by a registered NPOs [11(4A)]
- 346. Restriction on commercial activities by registered NPOs carrying out advancement of any other object of general public utility. [sec 2(15) 13(8)]

• 4.—Compliances

- 347. Books of account. [12A(1)(b)]
- 348. Audit. [12A(1)(b)]
- 349. Return of income. [12A(1)(ba)]
- 350. Permitted modes of investment. [11(5), 13(1)(d)]

• 5.—Violations

- 351. Specified violation. [12AB(4),(Expl),(5),13(1)(a)(b), 13Expl (2)
- 352. Tax on accreted income & due dates for payment . Table has 9 items [12AC,115TE- Interest payable for non payment of tax by specified person & 115TF When specified person is deemed to be assessee in default
- 353. Other violations. [13(10),(11),

• 6.—Approval for purpose of deduction under section 133(1)(b)(ii)

- 354. Application for approval for purpose of section 133(1)(b)(ii).& time limits for application, passing order, validity- Table has 5 items[80G]

• 7.—Interpretation

- 355. Interpretation [sec 2(15) ,13(3),13 Expl (1),(3)]-NEW- 15 terms defined[13means/2 includes]

• Omitted

- 11(1)(Explanation)(1)(2)
- 11(1A)
- 11(1B)
- 12AA Procedure for registration.

• Redundant

- 12(3) Income of trusts or institutions from contributions. 12AB(2) Procedure for fresh registration.
- 13(4) Section 11 not to apply in certain case.
- 13(5) Section 11 not to apply in certain case.
- 13(6) Section 11 not to apply in certain case.
- 13(7) Section 11 not to apply in certain case.

- Specified Income from property held for charitable or religious purposes. 11(1)(Explanation)(3B)Deemed corpus donation 337(Table: S.No. 5)
- 11(3)(a). Accumulated income not applied for purpose 337(Table: S.No. 6)
- 11(3)(b) invention in contravention 337(Table: S.No. 4)
- 11(3)(c) accumulated income not utilized 337(Table: S. No. 8)
- 11(3)(d). accumulated income paid / cr to other NPO 337(Table: S. No.9)
- 12(2) Income of trusts or institutions from contributions. 337(Table: S.No. 2)
- 12AC Merger of charitable trusts or institutions in certain cases. 352(5) (Table: Sl. No. 8.B)
- 13(1)(c) Section 11 not to apply in certain case. 337(Table: S. No. 2)
- 13(2) Section 11 not to apply in certain case. 337(Table: S. No. 2)
- NEW 332(1), 332(2), 332(6), 334,335, 343, 335, 355

- The IT Act provides for exemptions to various entities including Government funded entities engaged in objects which are charitable in nature.
- In addition to this, specific exemption is also available to entities engaged in certain activities which satisfy social purposes.
- These entities receive donations, voluntary contributions and have other incomes from activities which are charitable in nature.
- The total number of electronically filed returns of such entities till 30th November 2024 for the assessment year 2023-24 is **2, 50,682**.
- The total amount applied by such entities for charitable and religious purposes during the FY 2022-23 is Rs **10, 01,572.04** crores.
- Therefore, it was considered necessary to simplify and consolidate all the provisions relating to NPOs for ease of understanding and compliance.

- The present provisions related to registered NPOs are contained across the following Chapters:
- i. Chapter I: Charitable Purpose sec 2(15)
- ii. Chapter III: Sections 10(23C), 11, 12, 12A, 12AA, 12AB, 12AC & 13
- iii. Chapter VIA: Section 80G
- iv. Chapter XII: Sections 115BBC, 115BBI
- v. Chapter XII EB: Sections 115TD, 115TE, 115TF
- The present provisions related to registered NPOs are difficult to comprehend due to the following reasons:
- i. The provisions are spread across Chapters, there are several cross references.
- ii. The provisions related to registered NPOs evolved with time, several amendments have been brought to the present Act in the form of Explanations and provisos.
- In Section 11 itself, there are 13 Explanations and 16 provisos.

- iii. The interplay of different provisos and Explanations makes it quite difficult to understand. The following approach has been followed while redrafting the provisions related to NPOs
- i. The present Act uses different terms such as trust, institution, university, educational institution, hospital etc. in different provisions.
- A common term “registered NPO” has been used in the Bill in line with the international practices.
- ii. Sec 10(23C) uses the term **“approval”** while sec 12AB and under proposed **section 332** of the new IT Bill, 2025, uses the term **“registration”.**
- In order to avoid confusion, “registration” has been used .
- However, it does not include approval under the second proviso to sec 80G (5) of IT Act, 1961 or **sec 354** of the IT Bill, 2025

- iii. All the provisions related to registered NPOs have been arranged in Part B of Chapter XVII titled “B”.—
- Special Provisions for Registered NPOs” which comprises provisions corresponding to present sections 11, 12, 12A, 12AA, 12AB, 13, 115BBC, 115BBI, 115TD, 115TE, 115TF, and the provisions related to approval under the first and second proviso to section 80G(5) of the present IT Act.
- iv. Redundant provisions have been removed.
- v. Some of the provisions have been tabulated for lucid understanding of different scenarios such as the provisions related to:
- a. Application for registration;
- b. Specified income and the tax year in which it is taxable;
- c. Computation of tax on accreted income

- Substantial reduction of the words from about **12,800** to **7,600**.
- The entire Part XVII-B related to NPOs have been divided into 7 sub-parts which contain the provisions related to
- registration, income, commercial activities, compliances, violations, registrations for the purposes of eligibility of donations and interpretations.
- The term registered NPO has been **defined** to mean any person having a valid registration under section 12A, 12AA or 12AB or 10 (23C) of the IT Act, 1961 and such registration has not been cancelled.
- In order to avoid confusion, “registration” has been defined in the Bill to include **provisional r**egistration, provisional approval or approval, as referred to in the second proviso to sections 10(23C) or 12AB (1) of the IT Act, 1961.

- There were two regimes for exemption of registered NPOs.
- The first regime is contained in sec 10(23C) and
- the second one was contained in section 11 to 13 of the IT Act, 1961.
- There were certain provisions common to both the regimes that were contained in section 115BBC, 115BBI, 115TD, 115TE, 115TF and 2(15) of the IT Act, 1961.
- The Finance (No. 2) Act, 2024 provides that no application can be made under the first regime on or after 01/10/ 2024. However, the approvals granted under the first regime shall continue to be valid for the period of their approval.
- They are eligible to apply for registration, subsequently, under the second regime.
- As per the provisions of the Bill, all the registered NPOs are eligible to claim benefits.

- Thus, the Bill proposes to protect the eligibility of existing registered NPOs under the first as well as the second regime.
- The provisions of the present Act contained several cross references.
- The Table in the proposed sec 332(3) of the IT Bill, 2025 provides the time limits for furnishing application, time limit for passing the order and the validity of registration in different cases in a very simple and lucid manner.
- Since most registered NPOs apply 85% of their regular income for charitable or religious purposes, the taxable regular income in their cases shall be nil and there shall be no tax liability in their hands.
- However, if a registered NPO is not able to apply 85% of its regular income or accumulate the same, then regular income for such tax year as reduced by its application for charitable or religious purposes or accumulation thereof shall be its taxable regular income and chargeable to tax.

- No new income is proposed to be taxed.
- Present Act provides taxability of income scattered in different provisions such as section 13, section 115BBC and section 115BBI for different violations.
- The Bill seeks to bring all such provisions at the same place.
- Sec 11(1A) of the present IT Act provides that 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 utilized for acquiring another capital asset to be so held, then, the capital gain arising from the transfer shall be deemed to have been applied to charitable or religious purposes to the extent provided under the said section.
- Since the cost of acquisition of an asset for the objects of the registered NPO is considered as application of income, these provisions were **redundant** and therefore removed.

- There are two types of accumulations allowed to the registered NPOs.
- First, as per the provisions of section 11(2) accumulation is allowed for a period of five tax years.
- Second, deemed application is allowed as per the provisions of Explanation 1(2) to section 11(1) for certain specified reasons (generally accumulation for one year on account of non-receipt of the income).
- The dual provisions for accumulation were creating difficulties in implementation and interpretation.
- The provisions related to deemed application under Explanation 1(2) to section 11(1) of the present IT Act have been rationalized.
- This will help reducing litigation and ease the compliance.
- Accumulation under proposed sec 342 of the Bill can be for any purpose stated in the prescribed Form.

THANK YOU

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