CHARTERED ACCOUNTANTS

MR. VIMAL C. PUNMIYA
MRS. DIMPLE N. PUNMIYA
MR. RAHUL P. PUNMIYA

ADVOCATES

MR. NIRAJ V. PUNMIYA
MISS.AARTI V.PUNMIYA
MRS.SHAILAJ H. AGNIHOTRI

VIMAL PUNMIYA & CO.

CHARTERED ACCOUNTANTS
501, NIRANJAN, 99, MARINE DRIVE, MUMBAI 400 002
FAX : 2281 8267, PHONES : 22810635, 22813415,
CELL 98219 36314
Email: vimalpunmiya@gmail.com/
nirajpunmiya@gmail.com
Website: www.vimalpunmiya.com

There have been significant amendments in the provisions of the Income tax Act (Act) relating to taxation of Charitable Trusts. This process has been started by our Finance Minister, Smt. Nirmala Sitharaman, when she presented the Union Budget on 1st February, 2020. Since then, in her successive Budgets presented in 2021 and 2022, and 2023 many significant amendments are made. All these amendments have increased the compliance burden of the Charitable Trusts.
The Finance Minister unveiled the Finance Bill, 2023 with the objective to build on the foundations laid down in the previous budgets. With this objective in mind, several amendments have been proposed for plugging loopholes and rationalising provisions relating to charitable trusts and institutions. Some of the important amendments made in the taxation provisions relating to Charitable Trusts and Institutions are discussed in this article in brief below:

Background :

Present Exemption provisions related to Charitable trust or Institutions		
Particulars	**Exemption provided under section**	**Regime**
Income of Any fund or institution or trust or any university or other educational institution or any hospital or other medical institution	Sub-clause-(iv) or (v) or (vi) or (via) of clause-23(c) of section-10	Herein after **called as First regime**
Income of any Charitable trust or Institution registered under section-12AA/12AB	Section-12AA or section-12AB	Herein after called **as Second regime**

The income of the trust and institutions under both regimes is exempt subject to the fulfillment of certain conditions. Some of such conditions are as follows :

(A) **At least 85% of income of the trust** or institution should be applied during the year for the charitable or religious purpose **to ensure bare minimum application** for charitable or religious purpose.

(B) Trust or Institutions **are allowed to either apply mandatory 85% of their income either themselves or by making donations** to the trust with the similar objectives.

(C) If donated to other trust or institutions, the donations **should not be towards corpus to ensure** that the donation is applied by the donee trust or institution.

(D) Thus, every trust or Institution under both the regime [i.e. section-11/12 and section-10(23C)] is **allowed to accumulate 15% of its income each year.**

♦ **Treatment of donation to other Trust : (Applicable from A.Y.2024-25)**

*" **Memorandum of Finance Bill, 2023** stated that certain instances have come to the notice that certain trust or institutions are trying to defeat the intention of the legislature by forming multiple trust and accumulating 15% at each layer. By forming multiple trust and **accumulating 15% at each stage,** the effective application towards the charitable or religious activities **is reduced significantly to a lesser percentage compared to the mandatory requirement of 85%.**"*

- In order to ensure intended application toward charitable or religious purpose, it is proposed that **only 85% of the eligible donations** made by a trust or institution registered under 12AA/12AB to another trust registered under section-12AA/12AB, **shall be treated as application only to the extent of 85% of such donation.**
- **Let us understand the above provisions by example :**

Particulars	**Amount (Rs. in lakhs)**
Donation received by trust during the year	100
Application towards charitable purpose	20
Donation made to other registered charitable trust having similar objects(i.e. other than corpus)	70
Donation made to other charitable trust towards corpus	10

Tax Implication due to this amendment(Amount in Lakhs)		
Particulars	**Before Finance bill,2023**	**After Finance Bill,2023**
Income of the trust during the year	100	100
Less : 15% accumulation	(15)	(15)
Balance	85	85
Less :		
Application towards charitable purpose assuming all the conditions are fulfilled	(20)	(20)
Donation made to other registered c h a r i t a b l e trust having similar objects	**(70)**	**(59.5)** **[only 85% of 70 will be considered as application of income]**
Donation made to other charitable trust towards corpus (N O T ALLOWED AS APPLICATION)	-	-
Taxable Income	(5)	5.5
Taxability	**Deficit cannot be carried forward so there will be neither tax liability to trust for the previous year nor deficit of Rs.5 lakhs can be carried forward to next assessment year**	**Tax will be paid by trust on above income as per the slab rate available for Individual.**

♦ **Depositing back of corpus and repayment of Loans or borrowings : (Applicable from A.Y.23-24)**

Prior to Finance act, 2021, the corpus donations **were totally exempt provided** the donor gave the donation with a specific direction that the donation is towards the corpus of the. **However, the Finance act,2021 has made the following amendments :**

(i) Corpus donations **will be exempt only if** they are invested or deposited in one or more forms or modes specified in section-11(5), maintained specifically for such purpose.

(ii) Application for charitable or religious purposes from the corpus donations **shall not be treated as application of income** for charitable or religious purpose. However, the amount **not treated as application**, shall be application for charitable or religious purpose in the previous year in which the amount **is invested or deposited back, into one or more of the forms or modes** specified in section-11(5) maintained specifically for such corpus, form the income of that year and to the extends of such investment or deposit.

While implementing the recent **changes vide the Finance Act, 2021** to the provisions related to corpus and loan or borrowing, it has come to the notice that application from corpus or loan or borrowings have already been claimed as application **prior to 01.04.2021**.Hence, allowing such amount **to be application again as** investment or reposting back in corpus or repayment of loan or borrowing will amount **to double deduction.**

It was also noted that, a trust may invest or deposit back the amount in to corpus or repay the loan **after many years of application from the corpus or loan** and claim such repayment of loan or investment/depositing **back in to corpus as application for** charitable or religious purposes. **Availability of indefinite period** for the investment or depositing back to the corpus or repayment of loan **will make the implementation of the provisions quite difficult.**

In order to proper implementation of the above provisions, it is proposed to provide that :

Particulars	**Application out of corpus or loans or borrowings before 01/04/2021**	**Application out of corpus or loans or borrowings after 01/04/2021**
When such amount is deposited back or invested in to corpus or when the loan or borrowing is repaid.	NOT ALLOWED	ALLOWED

Vide Finance Bill,2023, It is also proposed to provide that:

♦ If the trust or **institution invests or deposit back the amount in corpus** or repays the loan **within 5 years of application** from the corpus or loan, then such investment/depositing back in the corpus or repayment of loan **will be allowed as** application for charitable or religious purposes.

Where the application from corpus or loan **did not satisfy the followings conditions**, the repayment of loan or investment/depositing back **in to corpus of such amountwill not be treated as application.**

(i) Such application **should not be in form of corpus donation** to another trust.

(ii) TDS, if applicable, **should be deducted** on such application.

(iii) Application whereby payment or aggregate of payments made to a person in a day exceeds Rs.10,000**/- in other than specified modes(Such as cash) is not allowed.**

(iv) Carry forwards and set-off **of excess application is not allowed**.

(v) Application is allowed in the year **in which it is actually paid.**

(vi) Application should not directly or indirectly benefit any person referred to in sub-**section-(1) of section-13** of the act and the income of the trust or institution **should not ensure any** benefit to such person.

(vii) Application **should be in India except with the** approval of the board in accordance with the provisions of clause-© of sub-section-(1) of section-11 of the act.

- **Let's understand this amendment by example:**

	Amount in Lakhs		
Particulars	**For the year ended 31st March,2023**	**For the year ended 31st March,2024**	**For the year ended 31st March,2028**
Donation Received during the year(Other than corpus)	1000	1200	1500
Donation received **as corpus**	50	30	0
Amount of corpus donations, invested in mode specified **under section-11(5)**	50	30	0
Application out of corpus donations received	0	40	0
Amount deposited back in one or more modes specified in section—11(5) maintained specifically for such corpus	0	0	30

		Amount in Lakhs	
Particulars	**For the year ended 31st March, 2024**	**For the year ended 31st March, 2025**	**For the year ended 31st March, 2028**
Donation Received during the year(Other than corpus)	1000	1200	1500
Donation received **as corpus**	50	30	0
Total Income of Trust	1050	1230	1500
Less : Corpus donation will be fully exempt as trust has invested all the amount in one or more **mode specified under section-11(5)**	(50)	(30)	0
Gross Receipts of the trust	1000	1200	1500
Less : 15% of amount accumulated	(150)	(180)	(225)
Amount to be applied for charitable purpose	850	1020	1275
Less :Application out of corpus donations received **(WIL NOT BE ALLOWED AS DEDUCTION IN THE YEAR OF APPLIATION)**	0	0	0
Less : Amount deposited back in one or more modes specified in section-11(5) maintained specifically for such corpus **(WILL BE ALLOWED AS DEDUCTION IF DEPOSITED BACK IN CORPUS WITHIN 5 YEARS FROM ITS APPLICATION AS PER FINANCE BILL,2023)**	0	0	(30)
Total income of the trust	850	1020	1245

♦ **Combining Provisional and Regular registration in some cases :**

■ **Existing Provisions :**

For Trust or Institutions under both the regimes as well as under section-80G regime.			
Particulars	**New Trust**		**Regular Trust**
	Provisional Registration	**Regular registration**	**Regular registration**
Application for registration	• **At least 1 month** prior to the **commencement of the previous year relevant** to the assessment year from which the said registration/approval is sought. • Such provisional registration shall be **valid for a period of 3 years.**	• Provisionally registered trust has to apply for regular registration/approval at-least 6 month prior too expiry of period of the provisional registration/approval or within 6 month of commencement of activities, **whichever is earlier.** • **Regular registration/approval shall be valid for a period of 5 years.**	To apply **at-least 6 month prior** to the expiry of regular registration/approval.

■ **Amended Provisions :**

Amendment in Sub-clause-(vi) of clause-(ac) of section-12A of the act			
Particulars	**New Trust**		**Regular Trust**
	Who have not commenced their activities **[Item No.(A) of subclause -(vi) of clause-(ac) of section-12A]**	Who have already commenced their activities and no income or part thereof has been excluded from the total income on account of applicability of section-11 or section-12 **[Item No.(B) of sub-clause-(vi) of clause-(ac) of section-12A]**	**Regular registration**
Application for registration	• **At least 1 month** prior to the commencement of the previous year relevant **to the**	• Shall make application for a regular registration at any time after	To apply at-least 6 month prior to the expiry of regular

	assessment year from which the said registration/approval is sought. • S u c h **provisional registration** shall be valid **for a period of 3 years.**	commencement of activities. • The Principal Commissioner or the commissioner shall pass and order granting or rejecting such application **within 6 months calculated from the end of the month** in which such application is received. • Such registration shall be valid **for a period of 5 years if it is satisfied** by the Principal commissioner or commissioner **as per procedure provided under clause-(b) of subsection-(1) of section-12AB** of the act.	registration/approval .

♦ **Alignment of the time limit for furnishing the form for accumulation of income and tax audit report : (Applicable from A.Y.2023-24)**

Where Charitable Trust is registered under section-11 or section-12AA or section-12AB of income tax act,1961	
Particulars	**Time limit for filing of Forms**
Form-9A(Furnishing statement deeming certain income to be applied)	**At least two months** prior to the due date specified under section-139(1) of the income tax act, 1961.
Form-10 (Statement of furnishing accumulation or setting apart its income income)	

♦ Miscellaneous Points :

A. Incomplete/False application included under specified violations :

Currently, new assessees are required to obtain a provisional registration and assessees that are already registered, are required to obtain a re-registration every 5 years in order to continue availing the benefits of the exemptions. The process has been automated which resulted in grant of approvals even in situations where the Forms furnished were defective. At present, the registration/provision approval can be cancelled by the Principal Commissioner or Commissioner, for certain "specified violation".

Finance Bill, 2023 proposes to widen the scope of the term "specified violation" to include application made which is "not complete" or contains "false or incorrect information", to attract cancellation of registration.

Cancellation of a registration on the basis of furnishing false or incorrect information appears reasonable to reprimand the assessees. It is suggested that, in case of "incomplete application" an opportunity should be provided to the taxpayer to furnish the completed Forms to rectify the defect within a specified time limit otherwise, such a proposal may create genuine hardship.

This amendment is applicable from 1 April 2023.

B. AMENDMENTS MADE BY PREVIOUS FINANCE ACTS :

a) AMENDMENTS MADE BY THE FINANCE ACT, 2021:

The Finance Act, 2021, has further amended the provisions relating to Charitable Trusts and Institutions claiming exemption under section 10(23C) and 11. These amendments are as under:

a.1 Enhancement In The Limit Of Receipts Under Section 10(23C):

At present, an Education Institution or Hospital etc, as referred to in section 10 (23C) (iiiad) and (iiiae) is not taxable if the aggregate annual receipts of such institution does not exceed Rs.1 Crore. If this limit is exceeded the institution is required to obtain approval under section 10(23C) (vi) or (via). This section is amended, effective from F.Y. 2021-22 (A.Y. 2022-23), to provide that the above exemption can be claimed if the aggregate annual receipts of such Institution does not exceed rupees 5 Crores.

a.2 Accounting Of Corpus Donation and Borrowed Funds:

Hitherto, Corpus Donations received by a Charitable Trust or Institution Claiming exemption under section 10(23C) or 11 are not treated as Income and hence exempt from tax. No conditions are attached with reference to the utilization of this amount.

These sections are amended effective from 01.04.2021 as under:-

(a) Corpus Donation received by a charitable trust or institution will have to be invested or deposited in the specified mode of investment such as in Bank deposit or other specified investments as stated in section 11(5). Further, they should be earmarked separately as Corpus Investment or Deposit.

(b) Any amount withdrawn from the above Corpus Investment or Deposit and utilized for the objects of the Trust will not be considered as application of income for the objects of the trust or institution for claiming exemption. Therefore, if a Charitable trust withdraws Rs.5 Lakhs from the bank in which Corpus Donation is deposited, and utilizes the same for giving relief to poor persons affected by floods, this amount will not be counted for calculating 85% of income required to be spent for the objects of the Trust.

(c) If the Trust deposits back the said amount in the Corpus Bank Account in the same year or any subsequent year from its other normal income, such amount will be considered as application of income for the objects of the trust

(d) It is also provided that if the Charitable Trust or Institution borrows money for meeting its requirement of funds, the amount utilized for the objects of the Trust or Institution, out of such borrowed funds, will not be considered as application of income for the objects of the Trust or Institution. When the borrowed monies are repaid, such repayment will be considered as application of income for the objects of the Trust or Institution.

(e) It will be noted that the above amendments will raise some issues relating to accounting of Corpus Donations and Borrowed Funds. The Trusts and Institutions will have to open separate bank account for Corpus donations and Borrowed Funds and keep a track of these Funds.

a.3 **Set Off of Deficit of Earlier Years**:

One more amendment affecting the Charitable Trusts or institutions is very damaging. It is provided that if the trust or institution has incurred expenditure on the objects of the trust in excess of its income in any year, the deficit representing such excess expenditure will not be allowed to be adjusted against the income of subsequent year. Hitherto, such adjustment was allowed in view of several judicial decisions. All these decisions of various High Courts are now overruled by this amendment. In view of this provision, accumulated excess

expenditure of earlier years incurred upto 31.03.2021 will not be available for set off against the income of F.Y. 2021-22 and subsequent years.

b) **AMENDMENTS MADE BY THE FINANCE ACT, 2022:**

Significant amendments are made in Sections 10(23C),11, 12 and 13 of the Income tax Act by the Finance Act, 2022. These amendments are as under:

b.1 **Institutions Claiming Exemptions Under Section 10(23C):**

Section 10(23C) granting exemption to specified Institutions is amended as under:

(i) Section 10(23C) (v) grants exemption to an approved Public Chartable or Religious Trust. It is now provided that if any such Trust includes any temple, mosque, gurudwara, church or other notified place and the Trust has received any voluntary contribution for the purpose of renovation or repair of these places of worship, the Trust will have option to treat such contribution as part of the Corpus of the Trust. It is also provided that this Corpus amount shall be used

only for this specified purpose and the amount not utilized shall be invested in specified investments listed in Section 11(5) of the Act. It is also provided that if any of the above conditions are violated, the amount will be considered as income of the Trust for the year in which such violation takes place. This provision will come into force from **A.Y.2021-22 (F.Y.2020-21)**

It may be noted that similar provision is added, effective **A.Y.2021-22 (F.Y:202021),** in Section 11 in respect of Charitable or Religious Trusts claiming exemption under Section 11 of the Act.

(ii) At present, an Institution claiming exemption under Section 10(23C) is required to utilize 85% of its income every year. If this is not possible it can accumulate the unutilized income for the next 5 years and utilise the same during that period. However, there is no provision for any procedure to be followed for such accumulation. The amendment of Section 10(23C), effective from **A.Y.2023-24 (F.Y.2022-23**) now provides that the Institution should apply to the A.O. in the prescribed form before the due date for filing the Return of Income for accumulation of unutilized income within a period of 5 years. The Institution has to state the purpose for which the Income is being

accumulated. By this amendment the provisions of Section 10(23C) are brought in line with the provisions of Section 11 of the Act.

(iii) At present, Section 10(23C) provides for audit of accounts of the Institution. By amendment of this Section it is now provided that, effective from A.Y.2023-24 (F.Y.2022-23), the Institution shall maintain its accounts in such manner and at such place as may be prescribed by the Rules. Such Accounts will have to be audited by a Chartered Accountant and report in the prescribed form will have to be given by him.

(iv) Section 10(23C) is also Amended by replacing the existing proviso XV to give very wide powers to the Principal CIT to cancel Approval or Provisional Approval given to the Institution for claiming exemption. If the Principal CIT comes to know about Specified Violations by the Institution he can conduct inquiry and after giving opportunity to the Institution cancel the Approval or Provisional Approval. The term "Specified Violations" is defined in this amendment.

(v) By another amendment of Section 10(23C), effective from **A.Y.2023-24 (F.Y. 2022-23),** it is provided that the Institution shall file its Return of Income by the due date specified in Section 139(4C).

(vi) A new Proviso XXI is added in Section 10(23C) to provide that if any benefit is given to persons mentioned in Section 13(3) i.e. Author of the Institution, Trustees or their related persons such benefit shall be deemed to be the income of the Institution. This will mean tht if a relative of a trustee is given free education in the Educational Institution the value of such benefit will be considered as income of the Institution. In this case tax will be charged at the rate of 30% plus applicable surcharge and Cess under Section 115BBI.

(vii) It may be noted that Section 56(2)(x) has been amended from A.Y.2023-24 (F.Y.2022-23) to provide that if the Author, Trustees or their related persons as mentioned in Section 13(3) receive any unreasonable benefit from the Institution or Charitable Trust, exempt under sections 10(23C)

or 11, the value of such benefit will be taxable as Income from Other Sources.

(viii) At present, the provisions of Section 115TD applies to a Charitable or Religious Trust registered under Section 12AA or 12AB. Now, effective from A.Y.2023-24 (F.Y.2022-23), the provisions of Section 115TD will apply to any Institution, claiming exemption under Section 10(23C) also. Section 115TD provides that if the Institution looses exemption under section 10(23C) due to cancellation of its approval or due to conversion into non-charitable organization or other reasons the market value of all its assets, after deduction of liabilities, will be liable to tax at the rate of 30% plus applicable surcharge and Cess.

b.2 **Charitable Trusts Claiming Exemption Under Section 11:**

Sections 11, 12 and 13 of the Act provide for exemption to Charitable Trusts (including Religious Trusts) which are registered Under Section 12A, 12AA or12AB of the Act. Some amendments are made in these and other sections as stated below:

(i) As stated in Para 4.1(i), if a Charitable Trust owns any temple, mosque gurudware, church etc., it can treat any contribution received for repairs or renovation of such place of worship as Corps donation. This amount should be used for the specified purpose. The unutilized amount should be invested as provided in Section 11(5). This provision will come into force from **A.Y.2021-22 (F.Y.2020-21)**.

(ii) At present, if a Charitable Trust is not able to utilize 85% of its income in a particular year it can apply to the A.O. for permission for accumulation of such income for 5 Years. If any amount out of such accumulated income is not utilized for the objects of the Trust upto the end of the 6th year, it is taxable as income in the Sixth Year. This provision has now been amended, effective from **A.Y.2023-24 (F.Y.2022-23),** to provide that if the entire amount of the accumulated income is not utilized upto the end of the 5th Year, the unutilized amount will be considered as income of the fifth year and will become taxable in that year.

(iii) If a Charitable Trust is maintaining accounts on accrual basis of accounting, it is now provided that any part of the income which is applied to the objects of the Trust, the same will be considered as application for the objects of the Trust only if it is actually paid in that year. If it is paid in a subsequent year, it will be considered as application of income in the subsequent year. Similar amendment is made in Section 10 (23C) of the Act.This amendment will come into force from **A.Y.2022-23 (F.Y.2021-22)**.

(iv) Section 13 deals with the circumstances in which exemption under Section 11 can be denied to the Charitable Trusts. At present, if any income or property of the trust is utilized for the benefit of the Author, Trustee, or related persons stated in Section 13(3), the exemption is denied to the Trust. Now, effective from **A.Y.2023-24 (F.Y.2022-23)**, this section is amended to provide that only that part of the income which is relatable to the unreasonable benefit allowed to the related person will be subjected to tax in the hands of the Charitable Trust.This tax will be payable at the rate of 30% plus applicable surcharge and cess.

(v) At present, Section 13(1)(d) provides that if any funds of the Charitable Trust are not invested in the manner provided in Section 11(5), the Trust will not get exemption under Section 11. This Section is now amended, effective from A.Y.2023-24 (F.Y.2022-23), to provide that the exemption will be denied only in respect of the income from such prohibited investments. Tax on such income will be chargeable at the rate of 30% plus applicable surcharge and Cess.

(vi) Section 12A has been amended, effective from **A.Y.2023-24 (F.Y.2022-23)** to provide that the Charitable Trust shall maintain its accounts in the manner as may be prescribed by Rules. These accounts will have to be audited by a Chartered Accountant.

(vii) In line with the amendment in Section 10(23C) Provisio XV, vary wide powers are now given by amending Section 12AB (4) to the Principal CIT to cancel Registration given to a Charitable Trust for claiming

exemption. If the Principal CIT comes to know about specified violations by the Charitable Trust he can conduct inquiry and after giving opportunity to the Trust cancel its Registration.

The term "Specified Violations" is defined by this amendment.

b.3 **Special Rate of Tax**:

A new Section 115BBI has been added, effective from **A.Y.2023-24 (F.Y.2022-23),** for charging tax at the rate of 30% plus applicable Surcharge and Cass. This rate of tax will apply to Registered Charitable Trusts, Religious Trust, Institutions, etc., claiming exemption under Section 10(23C) and 11 in respect of the following specified income

(i) Income accumulated in excess of 15% of the Income where such accumulation is not allowed.

(ii) Where the income accumulated by the Charitable Trust or Institution is not utilized within the permitted period of 5 years and is deemed to be the income of the year when such period expires.

(iii) Income which is not exempt under Section 10(23C) or Section 11 by virtue of the provisions of Section 13(1)(d). This will include value of benefit given to related persons, income from Investments made otherwise then what is provided in Section 11(5) etc.

(iv) Income which is not excluded from the Total income of a Charitable Trust under Section 13(1)(c). This refers to the value of benefit given to related persons.

(v) Income which is not excluded from the Total Income of a Charitable Trust under Section 11(1) (c). This refers to income of the Trust applied to objects of the Trust outside India.

b.4 **New Provisions for Levy of Penalty**:

New Section 271 AAE is added in the Income tax Act for levy of Penalty on Charitable Trusts and Institutions claiming exemption under Sections 10(23C) or 11. This penalty relates to benefits given by the Charitable Trusts or Institutions to related persons. The new section provides that if an

Institution claiming exemption under Section 10(23C) or a Charitable Trust claiming exemption under Section 11 gives an unreasonable benefit to the Author of the Trust, Trustee or other related persons in violation of proviso XXI of Section 10(23C) or section 13(1) (c), the A.O. can levy penalty on the Trust or Institution as under:

(i) 100% of the aggregate amount of income applied for the benefit of the related persons where the violation is noticed for the first time.

(ii) 200% of the aggregate amount of such income where the violation is noticed again in the subsequent year.

c) **TO SUM UP:**

c.1 The provisions granting exemption to Charitable Trusts and Institutions are made complex by the above amendments made by three Finance Acts passed in 2020, 2021 and 2022. When the present Government is propagating for ease of doing business and ease of living, it has made the life of such Trustees more difficult. The effect of these amendments will be that there will be no ease of doing Charities. In particular, smaller Charitable Trusts and Institutions will find it difficult to comply with these procedural and other requirements. The compliance burden, including cost of compliance, will considerably increase. The Trustees of Charitable Trusts and Institutions are rendering honorary service. To put such onerous burden on such persons is not at all justified. If the Government wants to keep a track on the activities of such Trusts, these new provisions relating to renewal of Registration, renewal of Section 80G Certificates etc., should have been made applicable to Trusts having net worth exceeding Rs.5 Cr. or Trusts receiving donations of more than Rs.1Cr. every year. Further, the provisions for filing details of Donors and giving Certificates to Donors in the prescribed form should have been made mandatory only if the aggregate donation from a Donor exceeds Rs.5 Lakhs in a year.

c.2 Some of the amendments made by the Finance Act, 2022 are beneficial to the Charitable Trusts and Institutions. However, the manner in which the amendments are worded creates lot of confusion. To simplify these provisions, it is now necessary that a separate Chapter is devoted in the

Income tax Act and all provisions of Sections 10(23C), 11, 12,12A, 12AA, 13 etc., dealing with exemption to these Trusts and Institutions are put under one heading. This Chapter should deal with the provisions for Registration, Exemption, Taxable Income, Rate of Tax, Interest, Penalty etc., applicable to such Trusts and Institutions. This will enable persons dealing with Charitable Trusts and Institutions to know their rights and obligations.

♦ CONCLUDING REMARKS :

Interpretation of provisions relating to charitable trust or institution **are becoming more complex day by day** as there have been numerous amendments relating to charitable trust or institution in every Finance bill. So, one must have a thorough **knowledge of all the latest amendments and provisions** related to charitable trust or institution while filing of income-tax returns and signing of audit report **in Form-10B by Chartered accountant. Vide Finance Bill,2023, the government has provided that the application out of corpus or loans or borrowings before 01/04/2021 should not be allowed as application for charitable or religious purpose when such amount is deposited back or invested in to corpus or when such loan or borrowings is repaid.**

This amendment may create genuine difficulties for the trusts who either do not have repaid loan in entirely or not claimed the deduction when there was application out of loan amount in previous year. Finance bill,2023 also placed additional obligation for charitable trust to invest or deposited back the investment in corpus or repays the loan within 5 years of application from corpus or loan for claiming it as application of income .