

Highlights of Changes Related to

CHARITABLE ENTITIES & NGO'S

by Finance Act 2020



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for Clients only

Through the Finance Act 2020 the Government has brought about significant changes in the registration and functioning of the charitable trusts, societies and institutions.

Registration of Trust

The existing charitable entities registered with the Income Tax Department shall be required to re-apply for registration during the period 1st June 2020 to 31st August 2020 and submit the necessary details to the Income Tax Department. This date has since been extended to 31st December 2020. Further whenever there are modifications to the objects of the trusts an application will have to be made for obtaining registration to the modification made to the objects within 30 days.

Renewal of Registration

The registration granted was perpetual unless otherwise cancelled by the Income Tax Department on grounds such as non filing of tax returns or non-compliance with other conditions mentioned while granting the registration.

The Finance Act 2020 has introduced an important amendment and provides that the registration granted to a charitable entity will henceforth be valid for a period of 5 years. The entity will have to apply for renewal of the registration at least 6 months prior to the expiry of the registration period.

It goes without doubt that the trusts or institutions which are utilizing the tax exemptions will now be under close scrutiny of the tax officials and will have to prove the genuineness of their activities time and again every five years

Reporting Obligations

Presently there was no reporting obligation upon the charitable entities receiving donation. However now, a return giving the details of the donations received by the entity will have to be filed with the Income Tax Department. The return for filing the donation details are yet to be notified by the Government. The claims made by the donor for deduction towards their donation will be matched with the return filed by the charitable entity.

Cash Donations Restricted

A donor will not be eligible to claim tax deduction under section 80G for donations made in cash above Rs.2000 (wef 1st April 2018). The donors be advised to make donations either by cheques or bank transfers.

Restriction on Cash Payments

Cash payments exceeding Rs.10000 made to a person in a day towards expenditure shall not be considered as applied for the objectives of the charitable entity and will stand disallowed (wef 1st April 2019).

Ensure that expenses incurred towards objects of the trusts exceeding Rs.1000 are not incurred in cash.

Filing of Audit Report

The charitable trusts and institutions are required to file tax returns along with audit report at the end of the financial year. From financial year 2019-20 the audit report will be required to be filed one month prior to the date of filing of the tax returns. Accordingly, the due date for filing the audit report is now 30th September and filing return of income is 31st October.

The above information is provided for general guidance only.
For further information please contact

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