



Archdiocesan Institutions' Central Office
Archdiocese of Ernakulam – Angamaly

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AICO/GEN/ 0650/2020.

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To,

All Archdiocesan Institutions (AICO)

Dear Rev. Father,

Sub: Proposed amendments under the Income Tax Act in respect of charitable institutions.

The Union Budget and Finance Bill 2020 has proposed major changes for Charitable Trusts / Societies like renewal of 10(23C), 12AA and 80G registration, furnishing a quarterly statement of donor wise donations, issue of a certificate to all the donors, etc. Details of such proposed changes are furnished below for the information of the institutions.

I. Section 10(23C)

Every registered Charitable Trust/ Society under Section 10(23C) shall make a fresh application for approval latest by 31st August 2020. Such fresh approval will be granted only for five years. Income Tax Department is expected to pass an order for such approval within three months of the application. Institutions already registered under section 10(23C) must hereafter submit a fresh application for approval every 5 years.

II. Section 11, 12AA and 12AB

Every registered Charitable Trust / Society under section 11, 12AA and 12AB shall make a fresh application to the IT department for grant of approval latest by 31st August 2020. Such fresh approval will be granted only for five years. Income Tax Department is expected to pass an order for such approval within three months of the application. Institutions already registered under Section 11, 12AA and 12AB must hereafter submit a fresh application for grant of registration every 5 years.

If any Trust/Society has approval under both Sections 10(23C) and 12AA, they need to apply for either of the registrations.

Every Trust/Society applying for new registration under section 12AA will be granted a provisional registration for three years, under the new Section 12 AB.

Such provisional registration holder shall make a fresh application for permanent registration, at least six months prior to the expiry of the provisional registration or within six months of commencement of its activities, whichever is earlier.

Section 12AA shall cease to exist effective from 1st June 2020 and Section 12AB shall be inserted from the same date. Section 12AB shall govern the provisions of registration process with effect from 1st June 2020.

III. Section 80G

Every registered Charitable Trust/ Society under section 80G shall make a fresh application for grant of approval latest by 31st August 2020. Such fresh approval will be granted only for five years. Income Tax Department is expected to pass an order for such approval within three months of the application. Institutions already registered under section 80G shall make a fresh application for grant of registration every 5 years.

Every Charitable Trust/ Society making an application for new registration under section 80G shall be granted a provisional registration for three years. Such provisional registration holder shall make a fresh application for permanent registration, at least six months prior to the expiry of the provisional registration or within six months of commencement of its activities, whichever is earlier.

Every Charitable Trust/ Society shall prepare and furnish a statement as may be prescribed (which contains the details of donors alongside donation received by the trust or institutions).

After furnishing such a statement, a Trust shall issue a certificate to Donor specifying the donation details.

Explanation: 2A has been inserted under section 80G(5D) by the Finance Bill 2020 which mandates the furnishing of details of donors by the Trust for claiming deduction under section 80G by any donor while filing his income tax return.

IV. Section 80GGA

Donation in cash has been reduced from Rs 10,000/- to Rs 2,000/-.

Deduction of Income tax under section 80GGA to the donor shall be allowed on the basis of statements furnished by the payee (receiver of the donation) to income tax department.

The present position, as proposed in the budget announcement and its impact on our institutions are furnished in a tabular form for better understanding.

1. Introducing renewal of registration under section 12AA, 10(23C) and 80G.
2. Rationalising and digitalising the process of registration for charitable institutions.
3. Provisional registration of three years only for new applicants.

4. Changes in the due dates for filing Income Tax Return and Tax Audit, for persons liable for Audit under any law.
5. Reconciliation process for donations under Section 80G/ 80GGA.
6. Cash donation restriction introduced in 80GGA.

1. Introducing renewal of registration under section 12AA, 10(23C) and 80G.		
Present position	Position as proposed in the 2020 budget announcement	Impact on the Charitable Trusts / Societies
As per current law, the registration under section 12AA, approval under section 10(23C) and 80G are given without any expiry period.	Now, it is proposed that these registration and approvals shall be given only for a limited time period of 5 years.	On expiry of every 5 years, the registration/ approval has to be re-obtained. This will keep a check on inactive registrations.
2. Rationalising and digitalising the process of registration for charitable institutions.		
Present position	Position as proposed in the 2020 budget announcement	Impact on the Charitable Trusts / Societies
In order to claim the tax exemption, the charitable institutions have to be registered with the Income Tax Department. In the past, the process of the registration was completely manual and scattered all over the country.	In order to simplify the compliance for the new and existing charitable institutions, it is proposed to make the process of Registration completely electronic under which a Unique Registration Number (URN) shall be issued to all new and existing charitable institutions.	The step will simplify the compliance for the new and existing charitable institution. It will introduce uniformity in the registration process and promote ease.

3. Provisional registration of three years only for new applicants.		
Present position	Position as proposed in the 2020 budget announcement	Impact on the Charitable Trusts / Societies
Under the existing situation, there is no provisional registration. Either the application is rejected or accepted or full/final registration is granted.	The budget proposes to give the approval u/s 10(23C), 80G and 12AB on provisional basis. The provisional approval may be granted for a period of 3 years.	The first-time applicants will not be directly given full and final registration but will be granted only provisional approval/registration. Later, full and final registration/approval may be granted following the prescribed procedure.
4. Changes in the due dates for filing Income Tax Return & Tax Audit for persons liable for Audit under.		
Present position	Position as proposed in the 2020 budget announcement	Impact on the Charitable Trusts / Societies
Relevant extract of Explanation 2 (a) to Section 139(1): The current law states where the assessee is— (i) ..., or (ii) a person (other than a company) whose accounts are required to be audited under this Act or under any other law for the time being in force; or (iii) ..., the 30th day of September of the assessment year;	It is proposed to be amended by providing 31st October of the assessment year (as against 30th September) as the due date for an assessee referred to in clause (a) of Explanation 2 of sub-section (1) of Section 139 of the Act;	Revised Due date: Income Tax Return - 31 st October. Income Tax Audit - 30 th September.

5. Reconciliation process for donations under Section 80G/ 80GGA.		
Present position	Position as proposed in the 2020 budget announcement	Impact on the Charitable Trusts / Societies
At present there is no reporting obligation on the part of the Charitable institution for receiving donation.	Deduction under section 80G/ 80GGA to a donor shall be allowed only if a statement is furnished by the donee (receiver of the donation) who shall be required to issue a certificate to the donor in respect of donations received. In the event of failure to do so, a fee and penalty shall be levied.	This will help in process through which one-to-one matching between what is received by the charitable institution and what is claimed as deduction by the Assessee would be possible.
6. Cash donation restriction introduced in 80GGA.		
Present position	Position as proposed in the 2020 budget announcement	Impact on the Charitable Trusts / Societies
At present cash donation under section 80GGA is restricted to Rs 10,000/-	Similar to section 80G of the Act, deduction of cash donation under Section 80GGA, shall be restricted to Rs 2,000/- only.	To discourage fake donations and cash dealings, these limits are generally introduced.

All existing registrations and approvals, granted by the Income Tax Department to the exempted institutions under section 10(23C), 12 AA and 80 G will become inoperative from 1st June 2020. All such institutions shall have to apply afresh within 3 months from 1st June 2020 i.e. **before 31st August 2020**. All are therefore requested to comply with all statutory rules and regulations meticulously in consultation with the Chartered Accountant entrusted with the statutory audit so that the registrations under 10(23C), 12 AA and 80 G can be obtained hassle free.

Regards

Fr. Thelakkatt

Fr. Xavier Thelakkatt
Director.