

Registration of Charitable Entities under I.T. Act



Law

- Registration of a Charitable institutions under section 12AB / 10(23C) of the Income Tax Act, 1961 would exempt it's income from Income Tax with certain conditions.
- Whereas registration u/s 80G(5)(vi) of the Income Tax Act, 1961 will exempt the income of the donor of such institution to some extent with certain conditions.

Law

- The CIT(Exemptions) is authorized to grant registration / approval under the above sections.

New scheme

- **New scheme from 01/04/2021**
- Not perpetual anymore.
- To apply every 5 year.
- The genuineness of activities will be subjected for verification every five years.

Procedure

- The procedure of registration / approval under the new scheme is governed under the provisions of :
 - Section 12AB r.w.s. 12A(1)(ac) & Rule 17A
 - First & Second proviso to section 10(23C) r.w. Rule 2C
 - First & Second proviso to section 80G(5) r.w Rule 11AA
- The process of registration / approval involves 2 steps.

Steps of registration

- 2 steps of registration / approval
 - Provisional registration – Application to be made in Form No.10A
 - Regular registration – Application to be made in Form No.10AB

Steps of registration- provisional

- Under clause (vi) of section 12A(1)(ac)
- Under clause (iv) of first proviso to section 10(23C)
- Under clause (iv) of first proviso to section 80G(5)

Steps of registration – Already registered entities in old regime

- Application to be made in Form No.10A.
- Entities which were registered / approved under the earlier regime had to apply under clause (i) of the relevant section / proviso. The last date for such application was 31/03/2022 extended up to 25/11/2022.
- Regular registration / approval to be granted under the new provisions within 3 months from the end of the month in which application was received.
- The Registration / approval for a period of 5 years.
- No verification of activities.
- Authority to grant registration : DIT(CPC), Bengaluru.

Provisional registration

- Only before commencement of activities (w.e.f. 01/04/2023)
- Application to be made in Form No.10A
- Order in Form No.10AC
- 16 digit provisional URN will be issued
- Registration / approval will be granted for a period of 3 years without any verification.
- No provision for rejection. Application to be disposed off within 1 month from the end of the month in which application is received.

Provisional registration

- Provision for subsequent cancellation : Rule 17A(6), 2C(6), Rule 11AA(6) – 12AB, 10(23C), 80G(5)(vi), respectively - if form not duly filled-in / false or incorrect information / documents not attached as per sub-rule (2).
- Registration / approval is not for blanket 3 years. The entity has to apply for regular registration in form No.10AB within 6 months from date of commencement of activity / expiry of prov. registration.

REGULAR REGISTRATION

- Application in Form No.10AB and order in Form No.10AD
- 16 digit regular URN will be issued.
- Genuineness of activity and compliance to requirements of any other law for the time being in force as are material for the purpose of achieving its objects, to be verified.
- Registration / approval will be granted for a period of 5 years from the initial assessment year for which provisionally approved, within 6 months from the end of the month in which application is received.

REGULAR REGISTRATION

- If rejected, provisional registration shall be cancelled.
- Provision for subsequent cancelation, if any of the specified violations are noticed.
- Processed by jurisdictional CIT(Exemptions).
- Institution can directly make application if activities are commenced (w.e.f. 01/10/2023)

Regular registration: application clauses

- Applications filed under -
- Clause (iii) – entities which are provisionally registered and applying for regular registration (*or after commencement of activities w.e.f. 01/10/2023*) [applicable to 12AB / 10(23C) / 80G]
- Clause (ii) – entities which are regularly registered and applying for renewal under new provisions. [applicable to 12AB / 10(23C) / 80G]

Regular registration: application clauses

- Clause (iv) – entities whose registration u/s 12AB became inoperative due to provisions of section 11(7) and intends to make the same operational. [Applicable to 12AB only - once in the life-time of the entity]
- Clause (v) – entities who have modified / adopted objects which are not in-line with the objects on the basis of which registration u/s 12AB was granted – within 30 days [Applicable to 12AB only]

Compulsory attachments to form No.10AB

- Rule 11AA, 17A & Rule 2C - self certified copies of certain documents are necessarily to be submitted viz. trust deed / MoA, Registration Certificate, Annual Accounts – 3 years, copy of order of earlier rejection, if any and note on activities, etc..
- Mis-interpretation - only the attachments shown as compulsory(*) in the online form are to be uploaded.

Common Mistakes

- No response to notices issued online.
- The correct/valid address of the institution not given in the application form – offline notice could not be served.
- E-mail IDs are not updated on E-portal.
- ROIs not filed – latest E-mail ID is not present in the system.

Common Mistakes

- No attachments as per Rules.
- Objects of the trust reproduced as note on activity instead of giving details of actual activities carried out in the last 3 years / recent past are not furnished.
- Cogent evidence not furnished.
- Activity note not synchronizing with the financial statements.

THANK YOU