

BRLF

*Welcome Participants to
प्रबोधन Prabodhan
(Alert, Advise, Awake)*

Session -2

Code of Taxation for NGOs Pt II

Recap of session 1

- Definition of charitable purpose and types of registration
- New regime of registration and reporting
- Taxation code-Section 11-13 of Income Tax Act
- Budget changes in Income Tax Act

Income Tax Return & Forms

In following sequence to file

- Form 10 / Form 9A
(Deemed application/Accumulation)
- Form 10B/10BB (Audit Report)
- ITR-7 (Income Tax Return)



Form 9A & Form 10

Section 11 of the Income Tax Act 1961 provides two options when the threshold of 85% application is not met by a charitable institution

Section 11(1) :- be accumulated for application in the year of receipt/next year. {Form 9A}

Form 9A can be filled in two situations:-

- For non-receipt of the income
- any other reason (the reason for shortfall needs to be communicated in writing in form)

Section 11(2) :- accumulated or set apart for specific purpose for a maximum period of 5 years. {Form No. 10}

Both Forms to be filed before filing of Form 10B and ITR-7

Audit Report for 12A registered charitable/religious organisation (Form 10B)

Duties of the Auditor

- Filed by auditor before due date
- Amount applied towards the charitable purpose during the year [Only out of income of previous year]
- Amount set apart under the provision of section 11(1)/11(2) not exceeding 15% of the total receipts during the year
- Any benefits Salary, Honorarium, Consultancy or others) passed on to the board members or any of their relatives.

Duties of the NGO

- The NGO should approve the form 10B so uploaded by the Auditor online.
- The ITR-7 should be submitted only after Form 10B is approved.

Annexures of Form 10B

Annexure I-Application of income for charitable/religious purpose

Annexure II-Application/use of income/property for benefit of persons u/s13(3)

Annexure III-Investment in concerns where persons u/s 13(3) have substantial interest

Income Tax Return (Form-ITR 7)

- Charitable institutions u/s 11 have three types of income: AI (Aggregate Income), VC (Voluntary Contribution) and CG (Capital Gains) not the 5 heads of income
- ITR 7 covers all types of charitable institutions
- S.139(4A) for 12A entities. 2 parts-Part A-General Part B-Total income and tax computation
- Details of registration or approval under Income Tax Act to be correctly selected in Part A General. The Details of other registration (80G and FCRA).
- Schedule I: amount set aside f/accumulated for previous years
- Schedule J : Details of investments.
- Schedule VC : Voluntary Contribution (grants/donations/corpus)
- Schedule AI : Aggregate of Income excluding Voluntary Contribution (All incidental income from activities and interest income)
- Schedule ER Revenue Expenses and sources to meet ER (Establishment & Objects)
- Schedule EC Capital Expenses and sources to meet EC
- Total of “Source of Funds” under ER and EC Schedule match with the total expenditure.
- Schedule TI and TTI-Computation of income and commutation of taxes
- Details of all bank accounts to be reported
- Expenditure incurred outside India, Provisions claimed.
- The Registered Email ID and Phone Number updated on Income Tax Portal should be of organisation.
- Verify the Income Tax Portal and check the status of returns submitted in Past (Refunds / Outstanding Demands).

IT proceedings

1. Notice u/s 142(1)-filed return but AO needs more docs/info or return not filed
2. Intimation u/s 143(1)-assessment of ITR by CPC to determine demand/refund
3. Notice u/s 143(1A)- Based on ITR filed, intimation for adjustment for mismatch identified during centralized processing in Form 26AS
4. Notice u/s 143(2)-when there is discrepancy, notice for scrutiny assessment but processing of return u/s 143(1) mandatory.
5. Notice u/s 143(3)-Income Tax Assessment-Scrutiny
6. Notice under Section 148A-income escaping assessment (**books can be opened for last 6 years reduced to 3 years in case of non-serious tax evasion**)
7. Notice u/s 245-set off of current year refund against previous demand
8. Penalty u/s 270(A) for concealment/under reporting of income in addition to tax



Objectives of TDS

- Regular Inflow of Revenue for Government
- Checking of TAX EVASION
- Widening of TAX Base



TDS Sections

Section 192 (Salary)

**Section 194 C (Contractual
Payment)**

**Section 194 J (Fees for
Professional & Technical
Payment)**

Section 194 I (Rent)

192 – TDS on Salary

Income Tax Slab	Tax Rate
Up to ₹2,50,000*	Nil
₹2,50,001 to ₹5,00,000	5% of total income exceeding ₹2,50,000
₹5,00,001 to ₹10,00,000	₹12,500 + 20% of total income exceeding ₹5,00,000
Above ₹10,00,000	₹1,12,500 + 30% of total income exceeding ₹10,00,000

- Deduct at rate of Income Tax computed on the basis of rates in force

- Rates in force for person other than Senior Citizens

Particulars	Amount (Rs.)	
Salary	6,50,000	
Less: Standard Deduction	50,000	- Standard Deduction ₹50,000
Gross Total Income	6,00,000	
Less: Deduction under Section 80C	1,00,000	
Total Income	5,00,000	
Income Tax (@ 5% from Rs 2.5 to 5 lakh)	12,500	- Tax Rebate: Rs 12,500 for total income up to Rs 5 lakh.
Less: Rebate u/s 87A	12,500	
Net Tax Payable	Nil	

Income Tax Slab	Tax Rate
Up to Rs 2.5 lakh	Nil
Rs 2.5 lakh to Rs 5 lakh	5% of total income exceeding ₹2,50,000
Rs 5 lakh to Rs 7.5 lakh	10%
Rs 7.5 lakh to Rs 10 lakh	15%
Rs 10 lakh to Rs 12.5 lakh	20%
Rs 12.5 lakh to Rs 15 lakh	25%
Rs 15 lakh and above	30%

New Tax Regime (Option available)

- **Rates in force:**
- Any individual opting to be taxed under the new tax regime from FY 2020-21 onwards No exemptions and deductions available such as standard deduction, HRA, Chapter VI-A deduction (80C,80D), Interest on housing loan etc.

194 C– Payments to Contractors



Tax is to be deducted as source:

- On the invoice value excluding the value of material, if such value is mentioned separately in the invoice; or
- On the whole of the invoice value, if the value of the material is not mentioned separately in the invoice.

TDS Rate:

- 1% where payment is to an individual / HUF
- 2% where recipient is any other person.

Limit:

- If the credit or payment in pursuance of the single contract does not exceed Rs. 30,000 in FY no deduction shall be made at source.
- However, if the aggregate of all amount paid / credited or likely to be credited exceeds in F.Y. Rs. 1,00,000 then tax at source is to be deducted.



Section 194 C includes:-

- Advertisement
- Broadcasting and telecasting including production of programmes for such broadcasting and telecasting
- Catering
- Manufacturing or supplying a product according to the requirement or specification of a customer by using material purchased from such customer
- Engagement of manpower on contract
- Carriage of goods or passengers by any mode of transport other than by railways, - NO TDS of transport operators if PAN is provided and vehicles upto 10

194 J – TDS on Fees for Professional or Technical Services

Particulars	TDS Rate	
Professional Fees	10%	
Technical Fees	2%	
Payment to call center operator (Domestic Co. only)	2%	

Threshold Exemption Limit: Rs. 30,000/- in a financial year

Professional & Technical services

- “Professional services ” means services rendered by a person in the course of carrying on **legal, medical, engineering or architectural profession or the profession of accountancy or technical consultancy or interior decoration or advertising** or such other profession as is notified by the Board for the purposes of section 44AA or of this section
- “Fees for technical services” means any consideration (including any lump sum consideration) for the **rendering of any managerial, technical or consultancy services** (including the provision of services of technical or other personnel) but does not include consideration for any construction, assembly, mining or like project undertaken by the recipient or consideration which would be income of the recipient chargeable under the head “Salaries”.

194 I – Rent

Particulars	Rate of TDS	
Renting of machinery /plant / equipment	2%	
Renting of land or building (including factory building) or land appurtenant to a building (including factory building) or furniture or fittings	10%	

Threshold Exemption Limit: Rs. 2,40,000 in a financial year

Tax is to be deducted at the time of Credit or at the time of payment whichever is earlier, at the prescribed rate as the case maybe

In case of salary, TDS is on estimated Income

Section 206AA: - Deductee furnish PAN number to the deductor and mention in correspondence, bills, vouchers and other documents. **Tax is to be deducted at 20% if PAN is not mentioned by deductee.**

TDS-Points to remember



- By 7th of the following month
- Incase of TDS Deducted in Month of March – to be deposited by 30th April.

Monthly Deposit of TDS

TAN – Tax Deduction Account Number

- The Person responsible for deducting tax at source has to apply for TAN in FORM NO 49B within one month from the end of the month in which tax is deducted for the first time.

Interest on late deduction/deposit of TDS

- Interest for Late Deduction of TDS is 1% every month or part of a month till the date of deduction
- Interest for Late Deposit of TDS is 1.5% every month or part of a month till the date of deposit.

Issue of Form 16/16A-TDS certificate

Deductors shall issue TDS certificate in Form No 16 / 16A generated through TIN central system and downloaded from the TIN website (TRACES) with a unique TDS certificate number in respect of sums deducted on or after the 1st April 2012 under any of the provision of Chapter XVII-B.

Filling of Quarterly TDS Return

Period	Form 24Q (Salary)	Form 26Q (Non Salary)
April - June	31 st July	31 st July
July - September	31 st October	31 st October
October - December	31 st January	31 st January
January - March	31 st May	31 st May

- Section 234 E :- Fee for default in furnishing quarterly return of TDS
- 200 Rs Per day till the time failure continues or total amount of TDS deducted during the quarter (Whichever is less)
- This is in addition to the penalty u/s 271H
- Section 271H :- Penalty for **Incorrect** information or failure to furnish quarterly return etc.

Penalty u/s 271H

The penalty shall be a minimum of Rs. 10,000/- and it can be extended up to Rs. 1,00,000/-

This penalty is mandatory in nature and cannot be waived

Penalty in respect of Non filling or incorrect filling of quarterly TDS return:-



Anonymous donation-Section 115BBC of IT Act

Accreted Income or Exit Tax-Section 115TD of IT Act

- **S.115BBC**

1. For charitable trust, if name and address of donor is not known, it is anonymous donation.
2. Not applicable to Religious Trust or charitable cum religious trust except where the donation is for an educational or medical institution
3. Tax payable 30% plus SC and Edu cess in excess of Rs.1 lakhs or 5% of total donation received whichever is higher.

- **S.115TD-1.6.2016**

1. Accreted income is excess of fair market value of assets over total liabilities of Trust
2. Conditions when 115TD triggered:
 - a. 12AA registration cancelled
 - b. Modification of objects not applied for regn/not in line with condition of registration and application rejected
 - c. Merged into an entity not with similar objects and not registered under 12AA
 - d. Failure to transfer assets upon dissolution to another 12AA/10(23C) entity within 12 months
4. Accreted income is taxed at MMR

Section 269ST: Receipt of cash donation

Finance Act 2017 restricts person receiving Rs. 2 lakh or more in cash from a person in aggregate in a day or in respect of a single transaction or in respect of transactions relating to one event or occasion from a person. The contravention of such provision shall attract penalty under section 271DA i.e. equivalent to the amount so received by the recipient.

in case of receipt of cash donations by a trust (may be charitable or religious) in contravention of section 269ST, then relevant trust shall attract penal consequences..

Section 206AB of IT Act wef 1.7.2021

- TDS rate if the amount is paid/ credited to a specified person, being highest of the below rates
 - at twice the rate specified in the relevant provision of the Act; or
 - twice the rate /rates in force; or
 - at the rate of 5%.
- Specified Person is one who has not filed the Income Tax Return (ITR) for 2 preceding years immediately before the previous year in which tax is required to be deducted **and** the aggregate TDS/TCS is Rs. 50,000 or more in each of the 2 previous years.
- The time limit of ITR filing under sub-section (1) of Section 139 is expired for calculating non filing for 2 previous years
- Not applicable for certain sections-mainly Section 192 and others
- Separate utility created on portal for confirming specified person

194 Q-TDS on purchase of goods wef 1st July 2021

Applicable to	Buyer/Purchaser
With effect from	01-07-2021
When Deducted or collected	Payment or credit, whichever is earlier including for advance payment made
Rate of TDS/TCS	0.10%
If PAN not available	5%
Triggering point	Turnover/Gross Receipts/Sales from the business of BUYER should exceed Rs.10 cr during previous year (Excluding GST)
	Purchase of goods of aggregate value exceeding Rs.50Lakhs in P.Y. (The value of goods includes GST)
When to deposit/collect	Tax so deducted shall be deposited with government by 7th day of subsequent month
Quarterly statement to be filed	26Q

Lower Tax deduction Certificate (LTDC)

- **197.** ⁴(1) ⁵[Subject to rules made under sub-section (2A), ⁶[where, in the case of any income of any person ⁷[or sum payable to any person], income-tax is required to be deducted at the time of credit or, as the case may be, at the time of payment at the rates in force under the provisions of sections 192, 193, ⁸[194,] 194A, ⁹[194C,] 194D, ⁹[194G] ¹⁰[, 194H] ¹¹[, 194-I] ¹²[, 194J] ¹³[, 194K] ¹⁴[***] ¹⁵[, 194LA] and 195, the Assessing Officer is satisfied] that the total income ¹⁶[***] of the recipient justifies the deduction of income-tax ¹⁷[***] at any lower rates or no deduction of income-tax ¹⁷[***], as the case may be, the ¹⁸[Assessing] Officer shall, on an application made by the assessee in this behalf, give to him such certificate as may be appropriate.
- (2) Where any such certificate is given, the person responsible for paying the income shall, until such certificate is cancelled by the ¹⁸[Assessing] Officer, deduct income-tax ¹⁹[***] at the rates specified in such certificate or deduct no tax, as the case may be.



Thank You!

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