

# Registration of an NGO for Income Tax Exemption u/s 80G

## Introduction

A NGO can avail income tax exemption by getting itself registered and complying with certain other formalities, but such registration does not provide any benefit to the persons making donations. The Income Tax Act has certain provisions, which offer tax benefits to the "donors". All NGO's should avail the advantage of these provisions to attract potential donors. Section 80G is one of such sections.

## Procedure

If an NGO gets itself registered under section 80G then the person or the organisation making a donation to the NGO will get a deduction of 50% from his/ its taxable income.

Earlier registration under 80G was given as one-time registration unless any specific restrictions are provided in the registration certificate itself but Finance Act 2020 has made some substantial changes in registration process and period for which approval will be given.

## New Registration

An application for fresh registration under section 80G will be given to Principal Commissioner or Commissioner. A provisional registration for 3 years will be given to organisations. The registration once granted shall be valid for three years from the Assessment Year from which the registration is sought. Application for renewal of such new registration needs to be submitted:

- at least six months prior to the expiry of validity period, or
- within 6 months from commencement of activities,

whichever is earlier.

The provisional registration so granted shall be valid for a period of 3 years and hence needs to be renewed at the end of the above mentioned timelines. The registration so renewed shall be valid only for 5 years and needs to be renewed at the end of each 5 years.

## Existing Registration - Validation & Re-approvals

Earlier the approval u/s 80G was valid for perpetuity. The Finance Act 2020 provides that all the existing 80G approvals needs to be revalidated and the application for the same in Form 10A should be submitted before 31<sup>st</sup> March 2022. As per amended provisions, the revalidation of registrations will be valid for a period of 5 years and thereafter approval for 80G has to be again applied for at least 6 months prior to the expiry of the registration.

## Forms and Timelines

Category	Forms	Timeline to make application
Trusts already approved/ registered and their approval/ registration is continuing an on 01-04-2021.	10A	On or before 31-03-2022.
Trusts making application for provisional registration/ approval.	10A	One month before the commencement.
Conversion of provisional registration into regular registration.	10AB	At least 6 months before the expiry or within 6 months of commencement of its activities, whichever is earlier.
Renewal of registration/ approval after five year said registration period.	10AB	At least 6 months prior to expiry of the said registration period.

## Procedure for Registration

- a) Log on to the E-filing portal of IT department vide <https://www.incometaxindiaefiling.gov.in/home>.
- b) Go to “Income Tax Forms” under e-File tab.
- c) Select the Form Name as “Form 10A” and relevant Assessment Year from the drop down list.
- d) Select the option of “Prepare and Submit Online” in submission mode.
- e) Fill in the details as required in the form and attach the required and applicable attachments.
- f) Submit the form using digital signatures or EVC as required while return filing.

## Documents required to be filled with Form 10A/ 10AB

- a) Self-certified copy of incorporation document of Trust/ Societies (created under instrument or otherwise);
- b) Self-certified copy of registration with Registrar of Companies or Registrar of Firms and Societies or Registrar of Public Trusts, as the case may be;
- c) Self-certified copy of FCRA registration, if the applicant is registered under such Act;
- d) Self-certified copy of existing order granting approval under clause (23C) of section 10;

- e) In case of existing entities, copies of annual accounts for the period not exceeding 3 years immediately preceding the year in which the application is made;
- f) Where the income of the entity includes profits and gains of business as per the provisions of sub-section (4A) of section 11, copies of annual accounts and audit report u/s 44AB for 3 years immediately preceding the year in which the said application is made;
- g) Details of activities since its inception or last three years whichever is less.

### Conditions to be fulfilled under Section 80G

For approval under Section 80G, the following conditions are to be fulfilled:

- a) The NGO should not have any income which are not exempted, such as business income. If, the NGO has business income then it should maintain separate books of accounts and should not divert donations received for the purpose of such business.
- b) The bylaws or objectives of the NGOs should not contain any provision for spending the income or assets of the NGO for purposes other than charitable.
- c) The NGO is not working for the benefit of particular religious' community or caste.
- d) The NGO maintains regular accounts of its receipts & expenditures.
- e) The NGO is properly registered under the Societies Registration Act 1860 or under any law corresponding to that act or is registered under section 8 of the Companies Act 2013.

### Mandatory Requirement of Darpan ID

The organisations applying for registration/ revalidation as per the amended provisions of section 80G, is mandatorily required to give the details of its Registration number with Darpan portal of Niti Aayog.

This is also mandatory in the situation where the applicant organisation receives or intends to receive any grantor assistance from either the Central Government or state Government.

### Issuance of Certificate

On receipt of the application under 10A, the PCIT or CIT shall pass an order in writing granting approval in Form No. 10AC and issue a sixteen-digit alphanumeric Unique Registration Number (URN) to the applicants. The PCIT/ CIT is also entitled to demand further documents from the applicant, if the need for the same is felt, or may reject the application after giving an opportunity of being heard. The rejection order will also be passed in Form No. 10AC. The registration accorded to the NGO will be valid as per the new provisions of Act amended through Finance Act 2020.

On receipt of application under 10AB, the order of registration or rejection or cancellation of registration shall be in Form No. 10AD and in case if the registration is granted, sixteen-digit alphanumeric number URN shall be issued by the PCIT or CIT. In this case also, PCIT/ CIT is entitled to demand further documents from the applicant to satisfy himself about the genuineness of activities of the trust or institution and the compliance of such requirements of any other law for the time being in force by the trust or institution as are material to achieve its objects.

To summarize the above, we can say that the timelines to issue order to grant registration/ provisional registration/ revalidation of existing registrations are as follows:

<b>Category of entity</b>	<b>Time limit for filing application for registration</b>	<b>Time limit for passing order</b>
For existing 80G registered entities.	From 1 <sup>st</sup> April, 2021 to 31 <sup>st</sup> March, 2022.	Within 3 months from the end of the month in which the application is received.
In any other case (including fresh provisional registration).	At least One month before commencement of the previous year relevant to assessment year from which the said registration is sought.	Within One month from the end of the month in which the application is received.
Trusts or institutions which are registered under new provisions of section 80G and the period of the said registration is due to expire.	At least 6 months before the expiry of the said period.	Within 6 months from the end of the month in which the application was received.
Trusts opting for provisional to final registration for 5 years.	At least 6 months before the expiry of the provisional registration or within 6 months of commencement of its activities, whichever is earlier.	Within 6 months from the end of the month in which the application was received.

## Extent of Benefit

There is ceiling limit up to which the benefit is allowable to the donor. If the amount of deduction to a charitable organisation or trust is more than 10% of the Gross Total Income computed under the Act (as reduced by income on which income-tax is not payable under any provision of this Act and by any amount in respect of which the assessee is entitled to a

deduction under any other provision of this Chapter), then the amount in excess of 10% of Gross Total Income shall not qualify for deduction under section 80G.

In other words, while computing the total income of an assessee and for arriving at the deductible amount under section 80G, first the aggregate of the sums donated has to be found out. The 50 per cent of such donations has to be found out and it should be limited to 10 per cent of the gross total income. If such amount is more than 10 per cent of the gross total income, the excess will have to be ignored.

### Cash Payment upto Rs.2,000/-

Any donation in excess of Rs.2,000/- under section 80G should be made by any mode other than cash.

### Penal Provisions

Donee, the assessee is required to furnish certificate of amount received to every donor and also required to file statement of donation received to Income tax department. On non-compliance of above assessee will become assessee in default and liable to penalty u/s 271K and the quantum of penalty will be:

- Minimum: Rs.10,000
- Maximum: Rs.1,00,000