

Registration of Non-Profit Organisations under the Income Tax Act, 2025

You can read the information below in over 15 languages! Simply use the translation tool in the top-left corner of the screen to select your preferred language, including English, Arabic, Bengali, Chinese, Dutch, French, German, Hindi, Italian, Japanese, Korean, Malayalam, Punjabi, Russian, Sanskrit, Spanish, Tamil, Urdu, and وُردُا.

Note: As part of the transition to the Income Tax Act, 2025, the concepts of "previous year" and "assessment year" have been replaced with a single concept of a "tax year". Throughout the series, "tax year" refers to the financial year beginning on 1 April and ending on 31 March.

Introduction

The Income Tax Act, 2025 (hereafter "Act") represents a comprehensive restructuring and modernisation of India's direct tax law, proposed with the objective of making the legislation simpler, more transparent, logically arranged, and taxpayer friendly. The Act is intended to replace the Income Tax Act, 1961, while retaining the substantive tax policy, with a strong emphasis on clarity of language, systematic organisation, and ease of compliance.

Key Structural Improvements

- Logical grouping of provisions based on subject matter rather than chronology of amendments
- Clear and concise drafting, avoiding excessive provisos and explanations

- Removal of obsolete and redundant sections
- Use of tables, schedules, and cross-referencing to improve readability

The Act is organised into 23 thematic chapters, with 536 sections and 16 chapters.

Provisions relating to non-profit organisations (NPOs)—including charitable trusts, institutions, funds, universities, hospitals, and other entities established for charitable or specified purposes—have been consolidated and rationalised.

The New Framework

- Clearly distinguishes registration, approval, income computation, and compliance obligations of NPOs
- Aligns registration provisions with risk-based administration and digital processes
- Provides greater certainty and uniformity in eligibility conditions
- Emphasises substance over form, ensuring benefits are available to genuine charitable activities

Arrangement of Sections

1. **Sec 332 - 333:** Registration of non-profit organisations
2. **Sec 334 - 343:** Income of registered non-profit organisations
3. **Sec 344 - 346:** Commercial Activity by registered NPO
4. **Sec 347 - 350:** Compliances
5. **Sec 351 - 353:** Violations
6. **Sec 354:** Approval for deduction u/s 133(1)(b)(ii)
7. **Sec 355:** Interpretation

Arrangement of Rules

Notified by Central Board of Direct Taxes (CBDT) on 20th March 2026

1. **Rule 181:** Common Application for registration of non-profit organisation or for approval for the purpose of deduction under 133(1)(b)(ii)

2. **Rule 182:** Manner of computation of gains or commercial activities under section 335(e), 344, 345, 346
3. **Rule 183:** Manner of computation of any portion of income applied by a registered nonprofit organisation, directly or indirectly for benefit of any related person
4. **Rule 184:** Exercise of options by a registered non-profit organisation under section 341(7) for deemed application under section 341(5)
5. **Rule 185:** Furnishing of statement by registered non-profit organisation under section 342(1) for accumulating or setting apart any part of its regular income
6. **Rule 186:** Application under section 342(5) for change of purpose for which income has been accumulated or set apart
7. **Rule 187:** Books of account and other documents to be kept and maintained by a registered non-profit organisation
8. **Rule 188:** Report of Audit in case of registered non-profit organisation under section 348
9. **Rule 189:** Method of valuation for the purpose of computing fair market value of assets and liabilities under section 352(2) for accreted income
10. **Rule 190:** Furnishing of statement of particulars in respect of donation and certificate to donor under section 354(1)

Registration of Non-Profit Organisations

Section 332 requires anyone claiming benefits as a registered non-profit organisation to apply for registration, in the specified form and manner, to the Principal Commissioner or Commissioner. Further, it lays down the eligibility criteria, the time limits for filing the application, the period of validity of registration, and the timeframe within which the department is required to pass its order.

Who Can Make an Application?

- Public trust
- A society registered under the Societies Registration Act, 1860, or under any law in force in India
- A company registered under section 8 of the Companies Act, 2013 or the companies registered under section 25 of the Companies Act, 1956 and deemed to have been registered in pursuance of section 465 (2)(g) of the Companies Act, 2013

- A University established by law or any other educational institution affiliated thereto or recognised by the Government
- An institution financed wholly or in part by the Government or a local authority
- Any person as referred to in Schedule III (Table: Sl. No. 27) to (Table: Sl. No. 29) and (Table: Sl. No. 36) and in Schedule VII (Table: Sl. No. 10) to (Table: Sl. No. 19) and (Table: Sl. No. 42)
- Any other person notified by the Board

Eligibility for Application

- The person must be constituted, registered, or incorporated in India for carrying out charitable purposes as defined under section 2(23), public religious purposes, or both.
- Further, its properties must be held under an irrevocable trust for the benefit of the general public either wholly for charitable or religious purposes, or partly for such purposes in India in cases where the entity was established before the commencement of the Income-tax Act, 1961
- Section 2(23) defines - charitable purposes includes:
 - o Relief of the poor
 - o Education
 - o Yoga
 - o Medical relief
 - o Preservation of environment (including watersheds, forests and wildlife)
 - o Preservation of monuments or places or objects of artistic or historic interest
 - o The advancement of any other object of general public utility

To Whom the Application Should Be Submitted

The application shall be made to the Principal Commissioner or Commissioner of Income Tax.

Time Limits for Application, Order, and Validity

Particulars	Time limit for furnishing application	Time limit for passing order	Validity
Activities of the applicant have not commenced, and it has not been registered	Any time during the tax year	3 months from the end of the month in which application made	3 Years (including tax year of application)

Particulars	Time limit for furnishing application	Time limit for passing order	Validity
Activities of the applicant have commenced, and it has not been registered	Any time during the tax year	6 months from the end of the quarter in which application made	5 Years (including tax year of application)
The applicant has been granted provisional registration and activities have commenced.	Within 6 months of the commencement of activities	6 months from the end of the quarter in which application made	5 Years (including tax year of application)
Provisional registration is due to expire and activities have not commenced.	6 months prior to the expiry	6 months from the end of the quarter in which application made	5 Years (including tax year of application)
The registration of the applicant is due to expire, other than cases mentioned above	6 months prior to the expiry	6 months from the end of the quarter in which application made	5 Years (following the tax year of application)
Registration of applicant is inoperative due to switching over of regime u/s 333	Any time during the tax year	6 months from the end of the quarter in which application made	5 Years (including tax year of application)
The applicant, being a registered non-profit organisation, has adopted or undertaken modification of its objects.	Within 30 days of modification	6 months from the end of the quarter in which application made	5 Years (including tax year of application)

When Is Registration Valid for Ten Years Instead of Five?

If an application is made as per the above table and the applicant's total income does not exceed annual receipts of ₹5 crore in each of the two tax years immediately preceding the year of application, the registration will be valid for **ten years instead of five years**.

Can Delay in Filing the Application be Condoned?

- If application is filed after the allowed time, Principal Commissioner or Commissioner may allow it if there is a valid reason for delay and such application will be treated as if it filed on time.

- If an application for registration is not filed within the specified time and the delay is not condoned, the person will be required to pay tax on accreted income under section 352.
- Upon receiving an application, the Principal Commissioner or Commissioner may call for necessary documents or conduct inquiries to verify the applicant's objects, genuineness of activities, and legal compliance, and shall either grant registration if satisfied or, after giving an opportunity of being heard, reject the application and, where applicable, cancel the existing registration.

Is Provisional Registration Available?

In case where the activities of the applicant have not commenced and it has not been registered under any specified provision at any time before making the application, Principal Commissioner or Commissioner shall grant provisional registration.

Switching Over of Regimes

- The income of a registered non-profit organisation can be excluded from total income only as provided in Schedule II, Schedule III, and Schedule VII; no other part of section 11 allows such exclusion for any tax year.
- Registration under section 332 will stop being valid either from the date the non-profit organisation is notified under the specified entries in Schedule III or Schedule VII, or from 1 April of the tax year in which the organisation claims exemption under the relevant entries of Schedule VII.
- A person whose registration has ceased may apply for fresh registration under section 332, provided that the exemption granted under Schedule III or Schedule VII ends from the date the new registration is granted, and no exemption can be claimed under those Schedule entries thereafter.

Revision #2

Created 2026-08-10 08:01:43 UTC by Pooja

Updated 2026-08-10 08:23:23 UTC by Pooja