Income Tax Act 2025 & Draft IT Rules 2026 for Charitable institutions - Part II

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Session Layout – Session 2

- Session 1 contd.
- Cross walk of Sections and Forms from existing to new Act and Rules
- Forms & Proceedings
- How to begin being compliance ready
-

133(1)(b)(ii) – Deduction in respect of donations to certain funds, charitable institutions, etc. (erstwhile Section 80G)

133 (1) – In computing total income of an assesse, there shall be deducted:

(*b*) 50% of sums paid as donation during the tax year to—

(ii) any fund or any institution to which this section applies, if:—

(A) it is established in India for a charitable purpose; and

(B) it is a registered non-profit organisation and approved under section 354;

All provisions of Section 80G are aligned with Section 133 – i.e. represented in money, cash not >2k, statement of donation verified as per risk mgt strategy

6. Approval for Purpose of Deduction under Section 133(1)(b)(ii)

- **354 – Application for approval for purpose of Section 133(1)(b)(ii)** – An R-NPO may make application for approval under 133(1)(b)(ii) subject to
  1. Not for benefit of particular religious caste/community
  2. For charitable purpose and can incur upto 5% of income for religious purpose

3. Constitution instrument does not permit transfer of assets for other than charitable purpose
4. Maintains accounts for receipt and expenditure
5. Prepares donation (including correction) statement and furnishes to Dept
6. Furnishes donation certificate to donor

Table explaining cases, timeline for application by assesse and approval by Dept and period of validity of approval

Table for Various Approvals u/s 133(1)(b)(ii)

Sl. No.	Case	Time limit for furnishing application	Time limit for passing order	Validity of registration
1	Where the **activities of the applicant have not commenced**	At any time during the tax year from which approval is sought.	**One month** from the end of the month in which application is made.	**Three tax years** commencing from the tax year in which such application is made.
2	Where the **activities of the applicant have commenced**.	At any time during the tax year from which approval is sought.	**Six months** from the end of the quarter in which application is made.	**Five** tax years commencing from the tax year in which such application is made.
3	Where the applicant has **provisional approval and activities have commenced**	**Within six months** of the commencement of activities.	**Six months** from the end of the quarter in which application is made.	**Five** tax years commencing from the tax year in which such application is made.
4	Where the **provisional approval of the applicant is due to expire and activities have not commenced.**	At least **six months** prior to the expiry of the provisional approval.	**Six months** from the end of the quarter in which application is made.	**Five** tax years following the tax year in which such application is made.

Sl. No.	Case	Time limit for furnishing application	Time limit for passing order	Validity of registration
5	Where the period for **approval of a registered non-profit organisation is due to expire.**	At least **six months** prior to the expiry of the said approval.	**Six months** from the end of the quarter in which application is made.	**Five** tax years following the tax year in which such application is made.

6. Approval for Deduction under Section 133(1)(b)(ii) (continued)

- Application made to P/CIT for approval as per Table
- For sl 2-5 in Table P/CIT call for information and pass order
  1. for approval if activities are genuine and it abides with any other laws
  2. Reject and communicate
- P/CIT only pass order for provisional approval

354A – merger of two RNPOs with same/similar objects fulfilling conditions (12AC of ITA 1961) to be tax neutral – Budget 2026

7. Interpretation

- **355 – Interpretation**

(a) anonymous donation – voluntary contribution where name and address of donor not known

(b) approval – approval under 80G of IT Act 1961 or section 354 of ITA 2025

(c) Donation – any voluntary contribution received by RNPO

(d) "commercial activity" means any activity in the nature of trade, commerce or business, or any activity of rendering any service in relation to any trade, commerce or business, for a cess or fee or any other consideration, irrespective of the nature of use or application, or retention, of the income from such activity

(e) "registration" includes provisional registration, provisional approval or approval referred to in sections 10(*23C*) or 12AB(1) of the Income-tax Act, 1961 and under section 332, but shall not include approval under section 80G(5) of the said Act or section 354;

(f) "registered non-profit organisation" means any person having a valid registration under any specified provision and such registration has not been cancelled

(g) "related person" means any of the following persons:—

(i) the author or the founder of the registered non-profit organisation;

(ii) any person whose total contribution to such registered non-profit organisation, during the relevant tax year exceeds one lakh rupees, or, in aggregate up to the end of the relevant tax year exceeds ten lakh rupees, as the case may be;

(iii) where such author, founder or person is a Hindu undivided family, a member of the family;

(iv) any trustee or manager (by whatever name called) of the registered non-profit organisation;

(v) any relative of any persons referred to in sub-clause (*i*), (*iii*) or (*iv*);

(vi) any concern in which any of the persons referred to in sub-clauses (*i*), (*iii*) (iv) or (*v*) has a substantial interest (defined as 20%> voting right/profits)

(h) "value" means the value of any benefit or facility granted or provided free of cost or at concessional rate to any related person

(i) "specified person" means any person which is registered under any specified provision at any time since its incorporation or creation;

(j) "specified provision" means section 12A, 12AA or 12AB or section 10(*23C*) of the Income-tax Act, 1961 or section 332;

(k) "wholly for charitable or religious purposes" shall mean wholly for charitable purposes or wholly for religious purposes or wholly for charitable and religious purposes.

Navigator

1. Sections between ITA 1961 and 2025
2. Rules between ITR 1962 and ITR 2026
3. Forms between ITR 1962 and ITR 2026

FAQs also released by CBDT

TDS Provisions – Chapter XIX – Collection & Recovery of Tax

- 392 – TDS on Salary
- 393(I) – Tax to be deducted at source
  Table sl. No. 2(ii). Rent
  Table sl. No. 6. (i) Payment to contractors 393(4) Table sl no. 8 carriage of goods
  Table sl. No. 6. (iii) fee for professional and technical services
  Table sl. No 8(ii) – TDS on purchase of goods
  Table sl. No. 8(iv) – TDS for benefits/perquisites
- 393(2) – TDS for payment to non resident
- 394 – TCS – sale of tendu leaves – 5%, sale of timber or forest produce under forest lease – 2%
- 395 – Certificate – for nil/LTDC until validity
- 398 – Failure to deduct/collect and pay TDS/TCS
- 427 – Fee for late filing of TDS return (234E)
- 461 – Penalty for failure to furnish TDS returns (271H)
- 397(2) – Obligation to provide PAN (206AA)
- 135 – Application for allotment of TAN (49B)

- 397(3)(f) – limitation of 2 years from end of tax year only for TDS/TCS correction statements introduced. Correction statements from FY 2018-19 to 2023-24 (Q3) to be made by 31.3.2026 otherwise time barred

Forms –

Form No. 168 – Form 26AS and AIS merged

Form No. 138 – Form 24Q

Form No. 140 – Form 26Q

Form No. 144 – Form 27Q

Misc Provisions

- Section 186 – Mode of undertaking transaction – (erstwhile 269ST) – Receive Rs.2 lakhs or more from a person in a day/single transaction/transactions for single event/occasion in cash otherwise equivalent amount of penalty as per Section 451
- Section 37 – Certain deductions allowed on actual payment basis only – erstwhile Section 43(B)(h) – effective April 2023 requires all payers for timely payments (15-45 days) to registered MSMEs to claim deductions in the same financial year

Cross Walk of Sections – Income-tax Act 1961 to Income-tax Act 2025

Section Number of Income-tax Act, 1961	Section heading	Section Number of Income-tax Act, 2025

2(15)(Proviso)	Definitions.	346
10(23C)(iiiab)	Any University or other educational institution wholly or substantially financed by the Govt	Schedule VII (Table: S. No. 17)
10(23C)(iiiac)	Any hospital or other institution wholly or substantially financed by the Government.	Schedule VII (Table: S. No. 18)
10(23C)(iiiad) 10(23C)(iiiae)	(a) Any University or other educational institution; (b) any hospital or other institution.	Schedule VII (Table: S. No. 19)
10(46)	Any income of the nature and to the extent which the Central Government may, by notification,	Schedule III (Table: S. No. 36)
11(1)(a)	Income from property held for charitable or religious purposes.	336
11(1)(b)	Income from property held for charitable or religious purposes.	336
11(1)(c)	Income from property held for charitable or religious purposes.	338(a)
11(1)(d)	Income from property held for charitable or religious purposes.	338(b)
11(1)(d)	Income from property held for charitable or religious purposes.	339
11(1)(Explanation)(1)(1)	Income from property held for charitable or religious purposes.	335(c)
11(1)(Explanation)(1)(2)	Income from property held for charitable or religious purposes.	Omitted
11(1)(Explanation)(2)	Income from property held for charitable or religious purposes.	341(1)(c)
11(1)(Explanation)(3)	Income from property held for charitable or religious purposes.	341(1)(a)(iii)
11(1)(Explanation)(3A)	Income from property held for charitable or religious purposes.	340
11(1)(Explanation)(3B)	Income from property held for charitable or religious purposes.	337 (Table: S. No. 5)

11(1)(Explanation)(4)(i)	Income from property held for charitable or religious purposes.	341(4)
11(1)(Explanation)(4)(i) (Proviso)	Income from property held for charitable or religious purposes.	341(2)(a)
11(1)(Explanation)(4)(ii)	Income from property held for charitable or religious purposes.	341(4)
11(1)(Explanation)(4)(ii) (Proviso)	Income from property held for charitable or religious purposes.	341(2)(b)
11(1)(Explanation)(4)(iii)	Income from property held for charitable or religious purposes.	341(1)(b)
11(1)(Explanation)(5)	Income from property held for charitable or religious purposes.	341(3)(b)
11(1A)	Income from property held for charitable or religious purposes.	Omitted
11(1B)	Income from property held for charitable or religious purposes.	Omitted
11(2)((a)	Income from property held for charitable or religious purposes.	342(1)
11(2)(b)	Income from property held for charitable or religious purposes.	342(4)
11(2)(c)	Income from property held for charitable or religious purposes.	342(1)
11(2)(Proviso)	Income from property held for charitable or religious purposes.	342(3)
11(2)(Explanation)	Income from property held for charitable or religious purposes.	342(2)
11(3)(a)	Income from property held for charitable or religious purposes.	337 (Table: S. No. 6)
11(3)(b)	Income from property held for charitable or religious purposes.	337 (Table: S. No. 4)
11(3)(c)	Income from property held for charitable or religious purposes.	337 (Table: S. No. 8)
11(3)(d)	Income from property held for charitable or religious purposes.	337 (Table: S. No. 9)

11(3A)	Income from property held for charitable or religious purposes.	342(5)
11(3A)	Income from property held for charitable or religious purposes.	342(6)
11(3A)(1st Proviso)	Income from property held for charitable or religious purposes.	342(2)
11(3A)(2nd Proviso)	Income from property held for charitable or religious purposes.	342(7)
11(4)	Income from property held for charitable or religious purposes.	344
11(4A)	Income from property held for charitable or religious purposes.	345
11(5)	Income from property held for charitable or religious purposes.	350
11(6)	Income from property held for charitable or religious purposes.	341(3)(a)
11(7)	Income from property held for charitable or religious purposes.	333
11(Explanation)	Income from property held for charitable or religious purposes.	341(1)(a)(i)
12(1)	Income of trusts or institutions from contributions.	335(c)
12(2)	Income of trusts or institutions from contributions.	337 (Table: S. No. 2)
12(3)	Income of trusts or institutions from contributions.	Redundant
12A(1)(ac)	Conditions for applicability of sections 11 and 12.	332(3)
12A(1)(ac)(Proviso)	Conditions for applicability of sections 11 and 12.	332(4)
12A(1)(ac)(Proviso)	Conditions for applicability of sections 11 and 12.	332(9)
12A(1)(b)	Conditions for applicability of sections 11 and 12.	347

12A(1)(b)	Conditions for applicability of sections 11 and 12.	348
12A(1)(ba)	Conditions for applicability of sections 11 and 12.	349
12A(2)	Conditions for applicability of sections 11 and 12.	332(3)
12AA	Procedure for registration.	Omitted
12AB(1)	Procedure for fresh registration.	332(7)
12AB(2)	Procedure for fresh registration.	Redundant
12AB(3)	Procedure for fresh registration.	332(3)
12AB(4)	Procedure for fresh registration.	351(2)
12AB(4)(Explanation)	Procedure for fresh registration.	351(1)
12AB(5)	Procedure for fresh registration.	351(3)
12AC	Merger of charitable trusts or institutions in certain cases.	352(5) (Table: Sl. No. 8.B)
13(1)(a)	Section 11 not to apply in certain case.	351(1)(c)
13(1)(b)	Section 11 not to apply in certain case.	351(1)(d)
13(1)(c)	Section 11 not to apply in certain case.	337 (Table: S. No. 2)
13(1)(d)	Section 11 not to apply in certain case.	350
13(10)	Section 11 not to apply in certain case.	353
13(11)	Section 11 not to apply in certain case.	353
13(2)	Section 11 not to apply in certain case.	337 (Table: S. No. 2)
13(3)	Section 11 not to apply in certain case.	355(j)
13(4)	Section 11 not to apply in certain case.	Redundant
13(5)	Section 11 not to apply in certain case.	Redundant
13(6)	Section 11 not to apply in certain case.	Redundant
13(7)	Section 11 not to apply in certain case.	Redundant
13(8)	Section 11 not to apply in certain case.	346
13(9)	Section 11 not to apply in certain case.	342(1)
13 Explanation (1)	Section 11 not to apply in certain case.	355(i)

13 Explanation (2)	Section 11 not to apply in certain case.	351(1)(d)
35	Expenditure on scientific research.	45
40A	Expenses or payments not deductible in certain circumstances.	29, 32, 36
80G	Deduction in respect of donations to certain funds, charitable institutions, etc.	133
80G(5)	Deduction in respect of donations to certain funds, charitable institutions, etc.	354(1)
80G(5)(Proviso)	Deduction in respect of donations to certain funds, charitable institutions, etc.	354(2)
80GGA	Deduction in respect of certain donations for scientific research or rural development.	135
80GGB	Deduction in respect of contributions given by companies to political parties.	136
115BBC	Anonymous donations to be taxed in certain cases.	337 (Table: S. No. 1)
115BBI	Specified income of certain institutions.	337
115TD	Tax on accreted income.	352
115TE	Interest payable for non payment of tax by specified person	352
139	Return of Income	263
142	Inquiry before assessment	268
143	Assessment	270
148	Issue of notice where income has escaped assessment	280
154	Rectification of mistake	287
156	Notice of demand.	289
192	Salary TDS	392
194C	Payments to contractors.	393(1) [Table: S.No. 6(i)], 393(4) [Table: S.No. 8]
194I	Rent.	393(1) [Table: S.No. 2(i) & 2(ii)], 393(4) [Table: S.No. 2]

194-IA	Payment on transfer of certain immovable property other than agricultural land.	393(1) [Table: S.No. 3(i)]
194-IB	Payment of rent by certain individuals or Hindu undivided family.	393(3) [Table: S.No. 2(ii)]
194-IC	Payment under specified agreement.	393(1) [Table: S.No. 3(ii)]
194J	Fees for professional or technical services.	393(1) [Table: S.No. 6(iii)], 393(4) [Table: S.No. 9]
194Q	Deduction of tax at source on payment of certain sum for purchase of goods.	393(1) [Table: S.No. 8(ii)]
194R	Deduction of tax on benefit of perquisite in respect of business or profession.	393(1) [Table: S.No. 8(iv)]
195	Other sums.	393(2) [Table: S.No. 17]
197	Certificate for deduction at lower rate.	395(1)
206AA	Requirement to furnish Permanent Account Number.	397(2)
206CC	Requirement to furnish Permanent Account Number by collectee.	397(2)
206CCA	Special provision for collection of tax at source for non-filers of income tax return	Omitted
234E	Fee for default in furnishing statements.	427
245	Set off and withholding of refunds in certain cases.	438
269ST	Mode of undertaking transactions.	186
270A	Penalty for under-reporting and misreporting of income.	439
271H	Penalty for failure to furnish statements, etc.	461

Forms and Proceedings

Forms –

- Audit Report – 10B/10BB – Single form 112
- ITR 7 continues as such for now
- 9A (deemed application) – now Form no 108 – application in case of dissolution
- 10 – now Form no 109 – Accumulation
- 10BD – now Form no 113
- 10BE – now Form no 114

Proceedings –

- Section 139 – Return of Income now Section 263
- Section 142 – Notice by AO for inquiry before assessment now Section 268
- Section 143 – Assessment now Section 370
- Section 149 – Notice when income escaped assessment now Section 280
- Section 154 – Rectification of mistake by AO now Section 287
- Section 156 – Demand notice now Section 289
- Section 270A – Mis/underreporting penalty now Section 439

Cross Walk of Forms – IT Rules 1962 to IT Rules 2026

Form No. (IT Rules 2026)	Form No. (IT Rules 1962)	Description
16	New Form	Certificate of donation under section 45(4)(a) of the Act
93	49A	Application for allotment of PAN (For an individual being Citizen of India)
104	10A	Application for provisional registration or provisional approval
105	10AB	Application for registration of non-profit organisation under section 332 or approval for deduction under section 133(1)(b)(ii)
106	10AC	Order for provisional registration u/s 332 or provisional approval u/s 354 Rejection of application
107	10AD	Order for grant of registration under section 332 or approval under section 354 or rejection of application or cancellation of registration or approval granted

Form No. (IT Rules 2026)	Form No. (IT Rules 1962)	Description
108	9A	Exercise of option under section 341(7) in respect of amount applied for charitable purpose in case of dissolution
109	10	Accumulation
113	10BD	Statement of donation
114	10BE	Certificate of donation under section 354(1)(g) of the Act
138	24Q	Quarterly statement of deduction of tax under section 397(3)(b) of the Act in respect of salary paid to employee under section 392
140	26Q	Quarterly statement of deduction of tax under section 397(3)(b) of the Act in respect of payments made other than salary for the quarter ended (June/September/December/March)
144	27Q	Quarterly statement of deduction of tax under section 397(3)(b) of the Act in respect of payments other than salary made to non-residents for quarter
145	15CA	Information to be furnished for payments to a non-resident not being a company, or to a foreign company
146	15CB	Certificate
168	26AS	Annual information statement

Key Takeaways for NGOs

- Neat structuring of provisions, unified definitions for common interpretation, tables/Schedules to make comprehension easy
- Person who can be RNPO specified
- No new tax
- Existing registration/approval of RNPO under ITA 1961 valid
- Deemed application provision for shortfall in 85% utilization remains.
- Repurposing of accumulated income permitted
- 15% income set apart (deemed accumulated income) to be put in specified modes of investment

- Commercial activity prohibited for all objects except GPU. Other than GPU, only incidental business income permitted

How to be Compliance Ready

- Compliance to begin from tax year 2026-27. Now is the time for unlearning-learning
- Existing registrations if valid need no further action
- Finance & Compliance teams of NGOs need to understand the structure and navigate flow from ITA 1961 to ITA 2025
- Familiarity with definitions, sections, tables, Schedules, forms, rules required in the long future
- Be aware of specified violations under 351 as per sub part 6 to avoid cancellation
- Tax on accreted income provisions maybe applied more rigorously
- Refer to tables for registration under 332, approval under 354, accreted tax under 352 and Specified income under 337
- Property irrevocably in trust for benefit of general public maybe included as a must in constitution documents.

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