Income Tax for NPOs: Acts, Rules and Transition

- Income-tax Act, 2025 (Tax Year 2026-27 onward)

Income-tax Act, 2025 (Tax Year 2026-27 onward)

Income-tax Act, 2025 - consolidated as amended by Finance Act, 2026 Source-control date: 11 August 2026

How to use this Volume

This companion is designed for CFOs, accountants and legal/compliance professionals of Indian non-profit organisations.

STATUTORY TEXT reproduces the current consolidated law. PRACTICAL UNDERSTANDING - NOT PART OF THE ACT is a separate training layer. RELATED STATUTORY PROVISIONS identifies cross-references and points to material reproduced elsewhere in this Volume.

The statutory hierarchy is displayed visually: subsection -> clause -> sub-clause -> deeper limb. Statutory tables retain their descriptive headers and their column identifiers (A/B/C/D/E, including B(i)/B(ii) where applicable).

Finance Act, 2026 amendment notes are kept outside the statutory text so that amendment footnote markers do not interrupt the provision.

Contents - Core NPO Reference

- Section 2(23) - charitable purpose
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- Cross-Reference Library - Schedules II, III, VII and XVI

CHAPTER I - PRELIMINARY

Section 2(23) - "charitable purpose"

STATUTORY TEXT

(23) “charitable purpose” includes—

(a) relief of the poor;

(b) education;

(c) yoga;

(d) medical relief;

(e) preservation of environment (including watersheds, forests and wildlife);

(f) preservation of monuments or places or objects of artistic or historic interest;

(g) the advancement of any other object of general public utility;

PRACTICAL UNDERSTANDING - NOT PART OF THE ACT

The definition contains seven limbs. For an NPO analysis, first identify the limb under which its objects and activities fall; the commercial-activity restrictions differ for the general-public-utility limb.

Section 2(49) - "income"

STATUTORY TEXT

(49) “income” includes—

(a) profits and gains;

(b) dividend;

(c) voluntary contributions received by—

(i) a registered non-profit organisation; or

(ii) an association referred to in Schedule III (Table: Sl. No. 23); or

(iii) any University or other educational institution or any hospital or other institution referred to in Schedule VII (Table: Sl. No. 19); or

(iv) an electoral trust;

(d) the value of any perquisite or profit in lieu of salary taxable under sections 17 and 18;

(e) any special allowance or benefit, other than perquisite included under sub-clause (d), specifically granted to the assessee to meet expenses wholly, necessarily and exclusively for the performance of the duties of an office or employment of profit;

(f) any allowance granted to the assessee either to meet his personal expenses at the place where the duties of his office or employment of profit are ordinarily performed by him or at a place where he ordinarily resides or to compensate him for the increased cost of living;

(g) the value of any benefit or perquisite, whether convertible into money or not, obtained from a company, either by a director or by a person who has a substantial interest in the company, or by a relative of the director or such person, and any sum paid by any such company in respect of any obligation which, but for such payment, would have been payable by the director or that person;

(h) the value of any benefit or perquisite, whether convertible into money or not, obtained by any representative assessee mentioned in section 303(1)(c) or (d) or by any person on whose behalf or for whose benefit any income is receivable by the representative assessee (such person being herein referred to as the beneficiary), and any sum paid by the representative assessee in respect of any obligation which, but for such payment, would have been payable by the beneficiary;

(i) any sum chargeable to income-tax under—

(A) section 26(2)(b) or (c) or (d) or section 38 or 95;

(B) section 26(2)(e) or (g);

(j) the value of any benefit or perquisite taxable under section 26(2)(f);

(k) any capital gains chargeable under section 67;

(l) the profits and gains of any business of insurance carried on by a mutual insurance company or by a co-operative society, computed as per section 55 or any surplus taken to be such profits and gains as per Schedule XIV;

(m) the profits and gains of any business of banking (including providing credit facilities) carried on by a co-operative society with its members;

(n) any winnings from lotteries, crossword puzzles, races including horse races, card games and other games of any sort or from gambling or betting of any form or nature;

(o) any sum received by the assessee from his employees as contributions to any provident fund or superannuation fund or any fund set up under the provisions of the Employees' State Insurance Act, 1948 (34 of 1948), or any other fund for the welfare of such employees;

(p) any sum received under a Keyman insurance policy including the sum allocated by way of bonus on such policy;

(q) any sum referred to in section 26(2)(h);

(r) the fair market value of inventory referred to in section 26(2)(j);

(s) any sum referred to in section 92(2)(k) or (l);

(t) any sum of money referred to in section 92(2)(h);

(u) any sum of money or value of property referred to in section 92(2)(m);

(v) any compensation or other payment referred to in section 92(2)(j);

(w) assistance in the form of a subsidy or grant or cash incentive or duty drawback or waiver or concession or reimbursement (by whatever name called) by the Central Government or a State Government or any authority or body or agency, in cash or kind, to the assessee other than—

(i) the subsidy or grant or reimbursement which is taken into account for determination of the actual cost of the asset as per section 39(1)(d) and (3); or

(ii) the subsidy or grant by the Central Government for the purpose of the corpus of a trust or institution established by the Central Government or a State Government,

where,—

(A) “card game and other game of any sort” includes any game show, an entertainment programme on television or electronic mode, in which people compete to win prizes or any other similar game;

(B) “Keyman insurance policy” shall have the meaning assigned to it in Schedule II (Note 1);

(C) “lottery” includes winnings from prizes awarded to any person by draw of lots or by chance or in any other manner, under any scheme or arrangement, called by any name;

PRACTICAL UNDERSTANDING - NOT PART OF THE ACT:

The complete inclusive definition is reproduced because voluntary contributions to a registered NPO are expressly included. The final "where,-" definitions are displayed as a separate interpretive block rather than visually under clause (w).

Section 11 - Income not included in total income

STATUTORY TEXT

11. (1) In computing the total income of any person for a tax year under this Act, any income enumerated in Schedules II, III, IV, V and VI shall not be included, subject to fulfilment of conditions specified therein.

(2) Wherever the conditions referred to in the Schedules referred in sub-section (1) are not satisfied in any tax year in respect of any income enumerated in the said Schedules, such income shall be charged to tax under this Act on the total income for that tax year.

(3) The persons enumerated in Schedule VII shall, subject to fulfilment of the conditions specified therein, not be chargeable to tax under this Act on the total income for a tax year.

(4) Wherever the conditions referred to in Schedule VII are not satisfied in respect of the persons enumerated in the said Schedule in any tax year, the income of such person shall be charged to tax under the provisions of this Act for that tax year.

(5) The Central Government may make rules or issue notifications for the purposes of this section as specified in Schedules II, III, IV, V, VI and VII.

PRACTICAL UNDERSTANDING - NOT PART OF THE ACT

Section 333 expressly limits which Schedule-based exclusions can be claimed by a registered NPO. Section 11 is therefore reproduced as the general gateway to the relevant Schedules.

Section 133 - Deduction in respect of donations

STATUTORY TEXT

133. (1) In computing the total income of an assessee, there shall be deducted, as per and subject to the provisions of this section,—

(a) the whole of the aggregate of the sum or the sums paid by the assessee, in the tax year as donations to—

(i) the National Defence Fund set up by the Central Government; or

(ii) the Prime Minister’s National Relief Fund or the Prime Minister’s Citizen Assistance and Relief in Emergency Situations Fund (PM CARES FUND); or

(iii) the Prime Minister’s Armenia Earthquake Relief Fund; or

(iv) the Africa (Public Contributions-India) Fund; or

(v) the National Children’s Fund; or

(vi) the National Foundation for Communal Harmony; or

(vii) a University or any educational institution of national eminence as may be approved by the prescribed authority in this behalf; or

(viii) any fund set up by the State Government of Gujarat exclusively for providing relief to the victims of earthquake in Gujarat; or

(ix) any Zila Saksharta Samiti constituted in any district under the chairmanship of the Collector of that district for improving primary education in villages and towns having a population up to one lakh according to the last census of which figures are published before the first day of the relevant tax year, in such district and for literacy and post-literacy activities; or

(x) the National Blood Transfusion Council or any State Blood Transfusion Council which has its sole object the control, supervision, regulation or encouragement in India of the services related to operation and requirements of blood banks; or

(xi) any fund set up by a State Government to provide medical relief to the poor; or

(xii) the Army Central Welfare Fund or the Indian Naval Benevolent Fund or the Air Force Central Welfare Fund established by the armed forces of the Union for the welfare of the past and present members of such forces or their dependants; or

(xiii) the Andhra Pradesh Chief Minister's Cyclone Relief Fund, 1996; or

(xiv) the National Illness Assistance Fund; or

(xv) the Chief Minister's Relief Fund or the Lieutenant Governor's Relief Fund, if the fund meets all the following conditions:—

(A) it is the only fund of its kind established in the State or the Union territory;

(B) it is under the overall control of the Chief Secretary or the Department of Finance of the respective State or the Union territory;

(C) it is administered in a manner specified by the State Government or the Lieutenant Governor; or

(xvi) the National Sports Development Fund set up by the Central Government; or

(xvii) the National Cultural Fund set up by the Central Government; or

(xviii) the Fund for Technology Development and Application set up by the Central Government; or

(xix) the National Trust for Welfare of Persons with Autism, Cerebral Palsy, Mental Retardation and Multiple Disabilities constituted under section 3(1) of the National Trust for Welfare of Persons with Autism, Cerebral Palsy, Mental Retardation and Multiple Disabilities Act, 1999 (44 of 1999); or

(xx) the Swachh Bharat Kosh, set up by the Central Government, other than the sum spent by the assessee in pursuance of Corporate Social Responsibility under section 135(5) of the Companies Act, 2013 (18 of 2013); or

(xxi) the Clean Ganga Fund, set up by the Central Government, where such assessee is a resident and such sum is other than the sum spent by the assessee in pursuance of Corporate Social Responsibility under section 135(5) of the Companies Act, 2013 (18 of 2013); or

(xxii) the National Fund for Control of Drug Abuse constituted under section 7A of the Narcotic Drugs and Psychotropic Substances Act, 1985 (61 of 1985); or

(xxiii) the Government or to any such local authority, institution or association as may be approved in this behalf by the Central Government, to be utilised for the purpose of promoting family planning; or

(xxiv) the Indian Olympic Association or any other association or institution established in India, as the Central Government may, having regard to the guidelines issued in this behalf, by notification, specify for the development of infrastructure for sports and games in India or the sponsorship of sports and games in India, by an assessee being a company;

(b) an amount equal to 50% of the aggregate of the sums paid as donation by an assessee during the tax year to—

(i) the Prime Minister’s Drought Relief Fund;

(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 or an institution or fund mentioned in Schedule VII (Table: Sl. No. 1) and approved under section 354;

(iii) the Government or any local authority, to be utilised for any charitable purpose other than the purpose of promoting family planning;

(iv) an authority constituted in India by or under any law enacted either for the purpose of dealing with and satisfying the need for housing accommodation or for the purpose of planning, development or improvement of cities, towns and villages, or for both;

(v) a corporation established by the Central Government or any State Government for promoting the interests of the members of such minority community, as may be notified by the Central Government;

(vi) any entity, for the renovation or repair of any temple, mosque, gurudwara, church or other place which is notified by the Central Government to be of historic, archaeological or artistic importance or to be a place of public worship of renown throughout any State or States.

(2) Where the aggregate of the sums referred to in sub-section (1)(a)(xxiii) and (xxiv), and sub-section (1)(b)(ii) to (vi) exceeds 10% of the adjusted gross total income, then the amount in excess of 10% of the adjusted gross total income shall be ignored for the purpose of computing the aggregate of the sums in respect of which deduction is to be allowed under sub-section (1).

(3) Where deduction under this section is claimed and allowed for any tax year in respect of any sum specified in sub-section (1), the sum in respect of which deduction is so allowed shall not qualify for deduction under any other provision of this Act for the same or any other tax year.

(4) The deduction under this section shall be allowed only for donation made as a sum of money.

(5) Any deduction for a donation over ` 2000 shall be allowed only if the payment is made by a mode other than cash.

(6) Any claim of deduction by the assessee in his return of income filed for any tax year in case of a donation made to an institution or fund referred in sub-section (1)(b)(ii), shall be allowed—

(a) only on the basis of the information relating to such donation furnished by such institution or fund to the prescribed authority or person authorised by such authority; and

(b) subject to verification as per the risk management strategy formulated by the Board from time to time.

(7) For the purposes of this section,—

(a) “adjusted gross total income” means gross total income as reduced by any portion thereof 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;

(b) “charitable purpose” does not include any purpose the whole or substantially the whole of which is of a religious nature;

(c) “National Blood Transfusion Council” means a society registered under the Societies Registration Act, 1860 (21 of 1860) and has an officer of the rank of an Additional Secretary to the Government of India or higher to deal with the AIDS Control Project as its Chairman;

(d) “State Blood Transfusion Council” means a society registered, in consultation with the National Blood Transfusion Council, under the Societies Registration Act, 1860 (21 of 1860) or under any law corresponding to that Act in force in any part of India and has a Secretary to the Government of that State dealing with the Department of Health, as its Chairman;

(e) an association or institution having as its object the control, supervision, regulation or encouragement in India of such games or sports as may be notified by the Central Government, shall be deemed to be an institution established in India for a charitable purpose.

PRACTICAL UNDERSTANDING - NOT PART OF THE ACT

For donor-deduction eligibility of an NPO, read section 133 together with section 354. Section 354 is the approval framework for institutions referred to in section 133(1)(b)(ii).

CHAPTER XVII - SPECIAL PROVISIONS RELATING TO CERTAIN PERSONS

PART B - SPECIAL PROVISIONS FOR REGISTERED NON-PROFIT ORGANISATION

1. Registration

Section 332 - Application for registration

STATUTORY TEXT

332. (1) The following persons may, for claiming benefits under this Part as a registered non-profit organisation, make an application for registration in such form and manner, as may be prescribed, to the Principal Commissioner or Commissioner:—

(a) a public trust; or

(b) a society registered under the Societies Registration Act, 1860 (21 of 1860), or under any law in force in India; or

(c) a company registered under section 8 of the Companies Act, 2013 (18 of 2013) or the companies registered under section 25 of the Companies Act, 1956 (1 of 1956) and deemed to have been registered in pursuance of section 465(2)(g) of the Companies Act, 2013 (18 of 2013); or

(d) a University established by law or any other educational institution affiliated thereto or recognised by the Government; or

(e) an institution financed wholly or in part by the Government or a local authority; or

(f) 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. Nos. 17 to 19) and (Table: Sl. No. 42); or

(g) any other person notified by the Board in this behalf.

(2) A person referred to in sub-section (1) shall be eligible for registration, if—

(a) such person is constituted or registered or incorporated in India for carrying out one or more charitable purposes, as referred to in section 2(23) or one or more public religious purposes; and

(b) the properties of such person are held for the benefit of the general public under an irrevocable trust—

(i) wholly for charitable or religious purposes in India; or

(ii) partly for charitable or religious purposes in India, if such person was constituted or registered or incorporated prior to the commencement of the Income-tax Act, 1961 (43 of 1961).

(3) Every application in respect of the cases specified in column B of the Table below shall be made to the Principal Commissioner or Commissioner within the time provided in column C of the said Table, who shall, on receipt of such application, follow the procedure provided in this section and shall pass an order within the time specified in column D of the said Table, and registration, if granted, shall be valid for a period specified in column E thereof.

Sl. No.	Case	Time limit for furnishing application	Time limit for passing order	Validity of registration
A	B	C	D	E
1.	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.	At any time during the tax year beginning from which registration 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 and it has not been registered under any specified provision at any time before making the application.	At any time during the tax year, beginning from which registration 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 been granted provisional registration 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.

Sl. No.	Case	Time limit for furnishing application	Time limit for passing order	Validity of registration
A	B	C	D	E
4.	Where the provisional registration of the applicant is due to expire and activities have not commenced.	At least six months prior to the expiry of the provisional registration.	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.
5.	Where the registration of the applicant is due to expire, other than cases mentioned at serial number 4.	At least six months prior to the expiry of the registration.	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.	Where the registration of the applicant has become inoperative due to switching over of regime under section 333.	At any time during the tax year beginning from which the registration is sought to be made operative.	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.
7.	Where the applicant, being a registered non-profit organisation, has adopted or undertaken modification of its objects which do not conform to the conditions of registration.	Within thirty days of the date of such adoption or modification	Six months from the end of the quarter in which application is made.	Five tax years commencing from commencement of the tax year in which such application is made.

(4) In case the application under sub-section (3) is made beyond the time allowed in column C of the Table specified in the said sub-section, the Principal Commissioner or Commissioner may, if he considers that there is a reasonable cause for delay in furnishing the application, condone such delay and such application shall be deemed to have been made within time.

(5) In case the application is made under sub-section (3) (Table: Sl. Nos. 3 to 7), and the total income of such applicant, without giving effect to the provisions of this Part, does not exceed

five crore rupees during each of the two tax years, preceding the tax year in which such application is made, the provisions of (Table: Sl. Nos. 3.E to 7.E) of the said sub-section, shall have effect as if for the words “five years”, the words “ten years” had been substituted.

(6) If any application for registration is not made within the time specified in sub-section (3) (Table: Sl. No. 3.C, 4.C, 5.C or 7.C) and the delay in filing such application is not condoned under sub-section (4), such person shall be liable to pay tax on accreted income under section 352.

(7) The Principal Commissioner or Commissioner shall, on an application made by an applicant in any of the cases specified in sub-section (3) (Table: Sl. Nos. 2 to 7), call for such documents or information or make such inquiries as he thinks necessary in order to satisfy himself about the genuineness of activities, and the compliance of such requirements of any other law as are material for the purpose of achieving its objects, and—

(a) if he is so satisfied about the objects and the genuineness of the activities and compliance of such requirements of any other law in force, shall pass an order in writing granting registration; or

(b) if he is not so satisfied, after affording a reasonable opportunity of being heard to the applicant shall,—

(i) pass an order in writing rejecting the application, where the application was made in any of the cases specified in sub-section (3) (Table: Sl. No. 2 or 6); or

(ii) pass an order in writing rejecting the application and also cancelling the registration in any other case specified in sub-section (3) (Table: Sl. No. 3, 4, 5 or 7), and send a copy of the said order to the applicant and the Assessing Officer.

(8) Where an application has been made in any of the cases specified in sub-section (3) (Table: Sl. No. 1), the Principal Commissioner or Commissioner shall grant provisional registration.

(9) Where the registration of a person, granted prior to the 1st April, 2021 under the specified provision of the Income-tax Act, 1961 (43 of 1961), has expired and such person makes an application for registration under this Part, the Principal Commissioner or Commissioner may, if he considers that there is a reasonable cause for delay in making such application, condone such delay and grant registration to such person under this Part within three months from the

end of the month in which the application is made, which shall be valid for five years from the commencement of the tax year 2021-2022.

(10) The order under sub-sections (7), (8) and (9) shall be passed in the form and manner, as may be prescribed.

FINANCE ACT, 2026 NOTE - NOT PART OF THE STATUTORY TEXT

Finance Act, 2026 substituted the Schedule VII reference in section 332(1)(f), with effect from 1 April 2026.

> **PRACTICAL UNDERSTANDING - NOT PART OF THE ACT**
> This is the registration gateway. The table determines the filing window, order timeline and registration validity for each case. The A/B/C/D/E row is shown once and is repeated on later pages only as a Word table header.

RELATED STATUTORY PROVISIONS

See the Cross-Reference Library for Schedule III Table Sl. Nos. 27-29 and 36 and Schedule VII entries referred to by sections 332 and 333.

Section 333 - Switching over of regimes

STATUTORY TEXT

333. (1) Nothing contained in section 11, other than Schedule II (Table: Sl. No. 1), Schedule III (Table: Sl. Nos. 27 to 29 and 36) and Schedule VII (Table: Sl. Nos. 10 to 19 and 42 to 45), shall exclude any income of a registered non-profit organisation from its total income for that tax year.

(2) The registration under section 332 shall cease to operate from the date on which the registered non-profit organisation is notified as specified in Schedule III (Table: Sl. No. 27, 28, 29 or 36) or Schedule VII (Table: Sl. No. 42), or from the 1st day of April of the tax year for a

registered non-profit organisation which claims exemption under Schedule VII (Table: Sl. No. 43, 44 or 45).

(3) A person, whose registration ceases to operate under sub-section (2), may apply for registration under section 332 subject to the condition that the notification granting exemption to such person under Schedule III (Table: Sl. No. 27, 28, 29 or 36) or Schedule VII (Table: Sl. No. 42) ceases to have effect from the date on which the said registration is granted and thereafter shall not be entitled to exemption under the respective serial numbers of the said Schedules.

PRACTICAL UNDERSTANDING - NOT PART OF THE ACT

> **PRACTICAL UNDERSTANDING - NOT PART OF THE ACT**
> This is the regime-switching provision. Its Schedule references are collected in the Cross-Reference Library.

2. Income of registered non-profit organisation

Section 334 - Tax on income of registered non-profit organisation

STATUTORY TEXT

334. (1) The income-tax payable by a registered non-profit organisation on its total income for any tax year shall be the aggregate of the amounts calculated—

(a) at the rate of 30% on specified income for such tax year; and

(b) at the rate applicable on taxable regular income and any residual income for such tax year under other provisions of this Act.

(2) The provisions of this Chapter shall apply irrespective of anything to the contrary contained in any other provision of this Act other than sections 96 to 98.

Section 335 - Regular income

STATUTORY TEXT

335. Regular income of any tax year of a registered non-profit organisation means—

(a) income from any charitable or religious activity, for which such non-profit organisation is registered, carried out by it in such tax year;

(b) income other than income covered in clause (e), derived from any property, deposit or investment held wholly for charitable or religious purposes by such registered non-profit organisation in such tax year;

(c) income other than income covered in clause (e), derived from any property, deposit or investment held in part for charitable and religious purposes by such registered non-profit organisation as referred in section 332(2)(b)(ii) in such tax year;

(d) voluntary contributions received by such registered non-profit organisation in such tax year; and

(e) gains of any commercial activity permissible under sections 344, 345 and 346, carried out by such registered non-profit organisation in such tax year, computed in such manner, as may be prescribed.

Section 336 - Taxable regular income

STATUTORY TEXT

336. The taxable regular income of a registered non-profit organisation for any tax year shall be—

(a) nil, where 85% or more of the regular income of such tax year has been applied as per provisions of section 341 or accumulated under section 342 for charitable or religious

purposes, in such tax year as per the provisions of this Part; and

(b) in any other case, 85% of the regular income for such tax year as reduced by its application for charitable or religious purposes as per provisions of section 341 or accumulation thereof under section 342 in such tax year as per the provisions of this Part.

Section 337 - Specified income

STATUTORY TEXT

337. The specified income of a registered non-profit organisation shall mean the income as specified in column B of the Table below and shall be taxable in the year provided in the column C thereof:—

Sl. No.	Specified income	Tax year
A	B	C
1.	Any anonymous donation received by a registered non-profit organisation other than a registered non-profit organisation created or established,— (i) wholly for religious purposes, or (ii) wholly for charitable and religious purposes (excluding anonymous donation made with a specific direction that such donation is for any university or other educational institution or any hospital; or other medical institution run by such registered non-profit organisation), excluding the anonymous donations up to ` 100000 or 5% of the total donations received by it during the tax year, whichever is higher.	Tax year in which such anonymous donation is received.
2.	Any portion of income applied by it, directly or indirectly, for the benefit of any related person, computed in the manner, as may be prescribed.	Tax year in which such application is made.
3.	Any portion of income applied by it outside India in contravention to the provisions of section 338(a).	Tax year in which such application of income is made.

Sl. No.	Specified income	Tax year
4.	Any investment or deposit made in contravention to the provisions of section 350 out of any income, accumulated income, deemed accumulated income, corpus, deemed corpus, or any other fund.	Tax year in which such investment or deposit is made.
5.	Any deemed corpus donation in respect of which any of the conditions specified in the section 340 is violated.	Tax year in which such violation is made.
6.	Any portion of accumulated income, if it is applied to purposes other than charitable or religious purposes for which it is accumulated or set apart.	Tax year in which it is so applied.
7.	Any portion of accumulated income, if it ceases to be accumulated or set apart for application to such purposes as specified under section 342(1).	Tax year in which it ceases to be so accumulated or set apart.
8.	Any portion of accumulated income, if it is not applied as per the provisions of section 341(1) to (4) for which it is accumulated or set apart within the period for which it was accumulated or set apart as specified in section 342(1).	Last of the tax years for which income was so accumulated or set apart.
9.	Any portion of accumulated income, if it is credited or paid to any other registered non-profit organisation.	Tax year in which it is so credited or paid.
10.	Any income applied to purposes other than charitable or religious purposes for which it is registered.	Tax year in which it is so applied.
11.	Any income determined by the Assessing Officer under section 344 in excess of income shown in the books of account of such business undertaking.	Tax year to which such income relates.

Sl. No.	Specified income	Tax year
12.	Fair market value of any asset, where it is not held in forms or modes specified in paragraph 1(1) to (30) of Schedule XVI even after the expiry of one year from the end of the tax year in which such asset is acquired.	Tax year immediately following the expiry of limitation period mentioned in Column B.
13.	Any deemed application under section 341(5) not actually applied by the registered non-profit organization for its objects in India within the period specified in section 341(6).	Tax year specified in section 341(6) by which such application is required to be made.

PRACTICAL UNDERSTANDING - NOT PART OF THE ACT

This table identifies specified income and the tax year in which it is taxable.

Section 338 - Income not to be included in regular income

STATUTORY TEXT

338. While computing the regular income of a registered non-profit organisation, the following income shall not be included:—

(a) income applied outside India, where the Board, by general or special order, directs that such income shall not be so included in its total income in case of a registered non-profit organisation—

(i) created before the 1st April, 1952 for charitable or religious purposes; or

(ii) created on or after the 1st April, 1952 for charitable purposes where such application of income outside India tends to promote international welfare in which India is interested;

(b) the corpus donation received by the registered non-profit organisation under section 339.

Section 339 - Corpus donation

STATUTORY TEXT

339. Corpus donation means any donation made with a specific direction by the donor that it shall form part of the corpus of the registered non-profit organisation provided that such donation is invested or deposited in any of the modes permitted under section 350 maintained specifically for such corpus.

Section 340 - Deemed corpus donation

STATUTORY TEXT

340. Where the property of a registered non-profit organisation includes any temple, mosque, gurudwara, church or other place notified under section 133(1)(b)(vi), any sum or sums received by such registered non-profit organisation as donation for the purpose of renovation or repair of such temple, mosque, gurudwara, church or other place, may, at its option, be deemed as forming part of the corpus under section 339, if it—

(a) maintains such corpus as separately identifiable;

(b) applies such corpus only for the purpose for which the donation was made;

(c) invests or deposits such corpus in any of the modes permitted under section 350; and

(d) does not apply such corpus for making donation to any person.

Section 341 - Application of income

STATUTORY TEXT

341. (1) The following sums shall be allowed as application of income to a registered non-profit organisation:—

(a) any sum, other than the sum referred to in clause (b), applied by it for charitable or religious purpose in India for which it is registered where such sum is paid during the tax year provided that the provisions of section 35(b)(i) and section 36(4), (5), (6) and (7) shall apply in respect of such sum; and

(b) 85% of the sum paid by way of donation made to any other registered non-profit organisation.

(2) The application of income under sub-section (1) shall include the following:—

(a) the amount invested or deposited back during the tax year, in the modes permitted under section 350 maintained specifically for such corpus, if—

(i) such investment or depositing back is made within five years from the end of the tax year in which such application of income was made from the corpus; and

(ii) the application of income from the corpus is made after the 31st March, 2021 and there was no violation of any provision of this Part, or any corresponding provision of the Income-tax Act, 1961 (43 of 1961) with respect to such application;

(b) the amount repaid, during the tax year, towards any loan or borrowing

where,—

(i) such repayment is within five years from the end of the tax year in which such application of income was made from the loan or borrowing; and

(ii) the application of income from the loan or borrowing is made after the 31st March, 2021 and there was no violation of any provision of this Part, or any corresponding provision of the Income-tax Act, 1961 (43 of 1961) with respect to such application.

(3) The following claims shall not be allowed as application of income under sub-sections (1) and (2):—

(a) the deduction or allowance by way of depreciation or otherwise claimed in respect of an asset acquisition of which has been claimed as an application of income in the same or any other tax year under this Part or under any corresponding provision of the Income-tax Act, 1961 (43 of 1961); or

(b) a claim of set off or deduction or allowance of any excess application of any of the years preceding the tax year; or

(c) any sum paid as a corpus donation to any other registered non-profit organisation.

(4) An application from corpus, loan or borrowing, accumulated income, specified income or deemed accumulated income shall not be considered as application for the purpose of sub-sections (1) and (2).

(5) Where, in a tax year, the regular income applied by a registered non-profit organisation towards charitable or religious purposes in India, as per the provisions of sub-sections (1) to (4), is less than 85% of regular income, the shortfall, or any part thereof, at the option of the registered non-profit organisation, may be treated as deemed application.

(6) Any deemed application under sub-section (5) shall be applied by the registered non-profit organisation for its objects in India,—

(a) during the tax year in which the income is received or in the tax year immediately succeeding such tax year, where such shortfall is for the reason that the whole or any part of the income has not been received during that tax year;

(b) in the tax year immediately succeeding the tax year in which the income was derived, where such shortfall is for any other reason.

(7) The option under sub-section (5) shall be exercised on or before the due date specified in section 263(1) for furnishing the return of income for such tax year, in such form and manner, as may be prescribed.

(8) The application of income under sub-section (1) shall include deemed application under sub-section (5).

(9) Following income from capital gains shall be deemed as application of income—

(a) the capital gain from transfer of a capital asset, being property held under trust wholly for charitable or religious purposes, where the whole or any part of the net consideration is utilised for acquiring another capital asset to be so held,—

(i) if the whole of the net consideration is utilised in acquiring the new capital asset, the whole of such capital gain;

(ii) if only a part of the net consideration is utilised for acquiring the new capital asset, so much of such capital gain as is equal to the amount, if any, by which the amount so utilised exceeds the cost of the transferred asset;

(b) the appropriate fraction of the capital gain arising from the transfer of a capital asset, being property held under trust in part for charitable or religious purposes, where the whole or any part of the net consideration is utilised for acquiring another capital asset to be so held,—

(i) if the cost of acquisition of the new capital asset acquired is not less than the net consideration in respect of the capital asset transferred, the whole of appropriate fraction of such capital gain;

(ii) in any other case, so much of the appropriate fraction of the capital gain as is equal to the amount, if any, by which the appropriate fraction of the amount utilised for acquiring the new asset exceeds the appropriate fraction of the cost of the transferred asset.

(10) For the purposes of sub-section (9),—

(a) “appropriate fraction” means the fraction which represents the extent to which the income derived from the capital asset transferred was immediately before such transfer applicable to charitable or religious purpose;

(b) “cost of transferred asset” means the aggregate of the cost of acquisition (as ascertained for the purposes of sections 72 and 73) of the capital asset which is subject of the transfer and the cost of any improvement thereto within the meaning assigned to that expression in section 90(1)(b);

(c) “net consideration” means the full value of the consideration received or accruing as a result of the transfer of the capital asset as reduced by any expenditure incurred wholly and exclusively in connection with such transfer.

PRACTICAL UNDERSTANDING - NOT PART OF THE ACT

This is the principal application-of-income provision and should be read with sections 342 and 350 and the corresponding Rules/Forms in Volume 2.

Section 342 - Accumulated income

STATUTORY TEXT

342. (1) A registered non-profit organisation may accumulate or set apart any part of its regular income during any tax year by furnishing a statement to the Assessing Officer in such form and manner, as may be prescribed, on or before the due date specified in section 263(1) for furnishing the return of income for such tax

year stating therein the purpose and period, not exceeding five years, for which the income is being accumulated or set apart.

(2) The amount credited or paid by a registered non-profit organisation to any other registered non-profit organisation out of its income accumulated or set apart, shall not be treated as application of income.

(3) The period during which the income is not applied for the purpose for which it is so accumulated or set apart pursuant to an order or injunction of any court, shall be excluded from the said period of five years.

(4) The income accumulated or set apart under sub-section (1) shall be invested or deposited in any of the modes permitted under section 350, or applied for the purposes as stated in the prescribed form referred to in sub-section (1).

(5) The registered non-profit organisation may, for the change of purpose for which income has been accumulated or set apart, make an application to the Assessing Officer, in such form and manner, as may be prescribed.

(6) The Assessing Officer may, on an application made under sub-section (5) and subject to sub-section (2), allow the registered non-profit organisation to apply its income for such other charitable or religious purposes in India which are in conformity with its objects.

(7) Where a registered non-profit organisation is dissolved, the Assessing Officer may, on an application made by such registered non-profit organisation in such form and manner, as may be prescribed, allow application of such income to be made to any other registered non-profit organisation for the year in which it is dissolved.

PRACTICAL UNDERSTANDING - NOT PART OF THE ACT

This is the accumulation/set-apart framework. The prescribed statement/form and procedural conditions will be mapped in Volume 2.

Section 343 - Deemed accumulated income

STATUTORY TEXT

343. (1) The regular income, as reduced by the application of income as per the provisions of section 341 and accumulated or set apart income under section 342, to the extent of 15% of regular income, shall be considered as deemed accumulated income and where such deemed

accumulated income is invested or deposited, it shall be invested or deposited in any of the modes permitted under section 350.

(2) The deemed accumulated income under this section shall not be considered as accumulated income for the purposes of section 342.

Section 344 - Business undertaking held as property

STATUTORY TEXT

344. Where the property held by a registered non-profit organisation includes a business undertaking, and where a claim is made that the income of any such undertaking is eligible for benefits under this Part, then the Assessing Officer shall have the power to determine the income of such business undertaking as per the provisions of this Act.

3. Commercial activities

Section 345 - Restriction on commercial activities by a registered non-profit organisation

STATUTORY TEXT

345. A registered non-profit organisation (other than a registered non-profit organisation mentioned in section 346) shall not carry out any commercial activity unless—

(a) such commercial activity is incidental to the attainment of the objectives of the registered non-profit organisation; and

(b) separate books of account are maintained for such activities.

Section 346 - Restriction on commercial activities by registered non-profit organisation, carrying out advancement of any other object of general public utility

STATUTORY TEXT

346. No registered non-profit organisation, carrying out advancement of any other object of general public utility, shall carry out any commercial activity unless,—

(a) such commercial activity is undertaken in the course of actual carrying out of advancement of any object of the general public utility;

(b) the aggregate receipts from such commercial activity or activities do not exceed 20% of the total receipts of such registered non-profit organisation of the relevant tax year; and

(c) separate books of account are maintained by such registered non-profit organisation for such activities.

4. Compliances

Section 347 - Books of account

STATUTORY TEXT

347. Where the total income of a registered non-profit organisation, without giving effect to the provisions of this Part, exceeds the maximum amount which is not chargeable to income-tax in any tax year, such registered non-profit organisation shall be required to keep and maintain the books of account and other documents in such form and manner and at such place, as may be prescribed.

Section 348 - Audit

STATUTORY TEXT

348. Where the total income of a registered non-profit organisation, without giving effect to the provisions of this Part, exceeds the maximum amount which is not chargeable to income-tax in any tax year, the accounts of such registered non-profit organisation for that tax year shall be audited by an accountant and the person in receipt of the income shall be required to furnish a report of an audit of such income by such date in the prescribed form, duly signed and verified by such accountant and setting forth such particulars, as may be prescribed.

PRACTICAL UNDERSTANDING - NOT PART OF THE ACT

This is the statutory audit requirement. The corresponding Rule and Form 10B/10BB framework belongs in Volume 2.

Section 349 - Return of income

STATUTORY TEXT

349. Where the total income of a registered non-profit organisation, without giving effect to the provisions of this Part, exceeds the maximum amount which is not chargeable to income-tax in any tax year, it shall furnish the return of income for that tax year as per the provisions of section 263(1)(a)(iii) and (2), within the time limit allowed under section 263(1)(c) or 263(4).

FINANCE ACT, 2026 NOTE - NOT PART OF THE STATUTORY TEXT

Finance Act, 2026 inserted the additional reference to section 263(4), with effect from 1 April 2026.

> **PRACTICAL UNDERSTANDING - NOT PART OF THE ACT**
> This is the NPO return-filing provision. It cross-refers to section 263; the annual compliance manual will map the filing timeline and return form.

Section 350 - Permitted modes of investment

STATUTORY TEXT

350. (1) The modes of investing or depositing the money under this Part, shall be such as specified in Schedule XVI.

(2) The modes of investing or depositing money under this Part, other than the modes specified in Schedule XVI, shall be specified by the Central Government, by notification.

PRACTICAL UNDERSTANDING - NOT PART OF THE ACT

> **PRACTICAL UNDERSTANDING - NOT PART OF THE ACT**
> This section points to Schedule XVI, which is reproduced in the Cross-Reference Library.

5. Violations

Section 351 - Specified violation

STATUTORY TEXT

351. (1) The following shall constitute specified violation by a registered non-profit organisation:—

(a) where any income of the registered non-profit organisation has been applied, other than for its objects; or

(b) it carries out any commercial activity in contravention of the provisions of section 345 ; or

(c) where it has applied any part of its total income for private religious purposes, which does not enure for the benefit of the public; or

(d) where a registered non-profit organisation, created or established after the commencement of this Act for charitable purpose, has applied any part of its income for the benefit of any particular religious community or caste other than the Scheduled Castes or the Scheduled Tribes or backward classes or women and children; or

(e) where any activity being carried out by the registered non-profit organisation is not genuine or is not being carried out in accordance with all or any of the conditions subject to which it was registered; or

(f) the registered non-profit organisation has not complied with the requirements of any other law as referred under section 332(7)(a) and the order, direction or decree, holding that such non-compliance has occurred, has either not been disputed, or has attained finality; or

(g) the application referred to in section 332(1) contains any false or incorrect information.

(2) Where,—

(a) the Principal Commissioner or Commissioner has noticed occurrence of one or more specified violations during any tax year;

(b) the Principal Commissioner or Commissioner has received a reference from the Assessing Officer under section 270(13) for any tax year; or

(c) a registered non-profit organisation has been selected as per the risk management strategy formulated by the Board for any tax year, the Principal Commissioner or Commissioner shall—

(i) call for such documents or information from the registered non-profit organisation, or make such inquiry as he thinks necessary in order to satisfy himself about the occurrence of any specified violation;

(ii) pass an order in writing,—

(A) either cancelling the registration of such registered non-profit organisation, after affording a reasonable opportunity of being heard, for such tax year and all subsequent tax years, if he is satisfied that one or more specified violations have taken place; or

(B) not cancelling the registration of such registered non-profit organisation, if he is not satisfied about the occurrence of any specified violation; and

(iii) forward a copy of the order passed under clause (ii) to the Assessing Officer and such registered non-profit organisation.

(3) The order under sub-section (2)(ii), shall be passed before the expiry of six months, calculated from the end of the quarter in which the first notice is issued by the Principal Commissioner or Commissioner, calling for any document or information, or for making any inquiry, under clause (i) of the said sub-section.

FINANCE ACT, 2026 NOTE - NOT PART OF THE STATUTORY TEXT

Finance Act, 2026 omitted the reference to section 346 in clause (b) and substituted "enure" for "ensure", with effect from 1 April 2026.

PRACTICAL UNDERSTANDING - NOT PART OF THE ACT

This section lists specified violations that can trigger registration consequences. Finance Act 2026 changes are shown separately from the statutory text.

Section 352 - Tax on accreted income

STATUTORY TEXT

352. (1) Every specified person shall, in addition to the income-tax chargeable in respect of his total income, be liable to pay additional income-tax on accreted income at the maximum marginal rate in any of the cases specified in column B(i) and (ii) of the Table in sub-section (4).

(2) The accreted income referred to in sub-section (1) shall be computed using the following formula:— A = B – C where, —

A = Accreted income;

B = Aggregate fair market value of the total assets of the specified person, as on the date specified, in column C of the Table in sub-section (4), computed in accordance with such method of valuation, as may be prescribed;

C = Total liability of such specified person, as on the date specified in column C of the said Table, computed in accordance with such method of valuation, as may be prescribed.

(3) The accreted income, computed as per the provisions of sub-section (2) shall be reduced by such amount of accreted income as is attributable to specified assets, and liabilities, if any, related to such assets.

(4) The specified person and the principal officer or trustee of such specified person shall be liable to pay the tax on accreted income to the credit of the Central Government within fourteen days from the due date specified in column D of the Table below:

Sl. No.	**Case - B(i)**	**Case - B(ii)**	**Specified date**	**Due date for payment of tax on accreted income**
A	B(i)	B(ii)	C	D
1.	The registration granted to the specified person under any specified provision has been cancelled or withdrawn.	The specified person has preferred an appeal against the order of cancellation.	The date of the order cancelling the registration.	Date of receipt of the order in any appeal, confirming the cancellation of the registration, by the specified person.

Sl. No.	Case - B(i)	Case - B(ii)	Specified date	Due date for payment of tax on accreted income
2.	The registration granted to the specified person under any specified provision has been cancelled or withdrawn.	The specified person has not preferred an appeal against such order of cancellation.	The date of the order cancelling the registration.	The date on which the period for filing appeal under section 362 against the order cancelling the registration expires.
3.	(a) The specified person has adopted or undertaken modification of its objects during any tax year; and (b) such modified objects do not conform to the conditions of registration.	The specified person has not applied for fresh registration under any specified provision in such tax year.	The date of adoption or modification of any object.	The end of such tax year.
4.	(a) The specified person has adopted or undertaken modification of its objects during any tax year; and (b) such modified objects do not conform to the conditions of registration.	The specified person has applied for fresh registration under any specified provision in such tax year and where such application has been rejected and appeal has been preferred against such order of rejection.	The date of adoption or modification of any object.	The date of receipt of the order in any appeal, confirming the cancellation of the registration by the specified person.

Sl. No.	Case - B(i)	Case - B(ii)	Specified date	Due date for payment of tax on accreted income
5.	(a) The specified person has adopted or undertaken modification of its objects during any tax year; and (b) such modified objects do not conform to the conditions of registration.	The specified person has applied for fresh registration under any specified provision in the said tax year and where such application has been rejected and no appeal has been preferred against such order of rejection.	The date of adoption or modification of any object.	The date on which the period for filing appeal under section 362 against the order cancelling the registration expires.
A	B(i)	B(ii)	C	D
6.	The specified person fails to make an application as per the provisions of— (a) sub-clause (i) or (ii) or (iii) of the first proviso to section 10 (23C) of the Income-tax Act, 1961 (43 of 1961); or (b) sub-clause (i) or (ii) or (iii) of section 12A(1) (ac) of the Income-tax Act, 1961 (43 of 1961); or (c) as specified in section 332(3) (Table: Sl. No. 3, 4, 5 or 7).	The period specified in the respective clause or sub-clauses or Table, as the case may be, expires in the tax year in which the said application is to be made.	The last date for making an application for registration.	The end of such tax year.
7.	Where a specified person converts itself into a form which is not eligible for grant of registration during any tax year.		The date of such conversion.	The end of such tax year.
8.	The specified person has merged with any other entity other than a registered non-profit organisation having the same or similar objects and the said merger does not fulfil such conditions, as may be prescribed.		The date of merger.	The date of merger.

Sl. No.	Case - B(i)	Case - B(ii)	Specified date	Due date for payment of tax on accreted income
9.	The specified person has failed to transfer upon dissolution, all its assets to any other registered non-profit organisation within twelve months from the end of the month in which the dissolution takes place.		The date of dissolution.	The date on which such period of twelve months expires.

(5) The payment of tax on the accreted income by the specified person under this section shall be deemed as the final payment of tax in respect of the said income and no further credit therefor shall be claimed by, or any deduction be allowed to, the specified person or any other person in respect of the amount of tax so paid under any other provision of this Act.

(6) Where the specified person, or the principal officer or trustee of such specified person, fails to pay the whole or any part of the tax on the accreted income within the time allowed under sub-section (4), such specified person, principal officer or trustee shall be liable to pay simple interest, computed as per the following formula:— I = 1% of (T × P) where,— I = interest; T = tax on accreted income; and P = number of months beginning on the date immediately after the last date on which such tax was payable and ending with the date on which the tax is actually paid including part thereof.

(7) All the provisions of this Act shall apply for the collection and recovery of income-tax in respect of the amount of tax payable by the specified person, principal officer or trustee and the following persons shall be deemed to be assessee in default:—

(a) the specified person and principal officer or the trustee of such specified person;

(b) the person to whom any asset forming part of the computation of accreted income under sub-section (2) has been transferred, where the tax on accreted income is payable under the cases specified in sub-section (4) (Table: Sl. No. 9).

(8) Subject to the provisions of sub-section (7), the liability of the person referred to in clause (b) of the said sub-section shall be limited to the extent to which the asset received by him is capable of meeting the liability.

FINANCE ACT, 2026 NOTE - NOT PART OF THE STATUTORY TEXT

Finance Act, 2026 substituted Table Sl. No. 8. The table below uses the current substituted row.

PRACTICAL UNDERSTANDING - NOT PART OF THE ACT

This is the accreted-income / exit-tax framework. Its table uses columns A, B(i), B(ii), C and D and is formatted accordingly.

Section 353 - Other violations

STATUTORY TEXT

353. (1) Where any registered non-profit organisation—

(a) fails to maintain books of account under section 347; or

(b) fails to get books of account audited under section 348; or

(c) fails to furnish its return of income under section 349; or

(d) carrying out advancement of any other object of general public utility, carries out any commercial activity in contravention of the provisions of section 346, during any tax year, its regular income for such tax year as reduced by the expenditure referred to in sub-section (3) shall be taxable regular income which shall be chargeable to tax as per the provisions of section 334.

(2) Irrespective of the provisions of section 338, any specified income and residual income of the registered non-profit organisation, which is not included in sub-section (1) shall also be chargeable to tax under the provisions of section 334.

(3) The expenditure referred to in sub-section (1) shall be the expenditure incurred in India (other than capital expenditure) for the objects of the registered non-profit organisation, subject to the fulfilment of the following conditions: —

(a) such expenditure shall be incurred in India;

(b) such expenditure shall be for the objects of the registered non-profit organisation;

(c) such expenditure is not made from the corpus standing to the credit of the registered non-profit organisation as on the end of the tax year immediately preceding the tax year for which income is being computed;

(d) such expenditure is not out of any loan or borrowing;

(e) the claim of depreciation is not in respect of an asset, acquisition of which has been claimed as application of income, in the same or any other tax year;

(f) such expenditure is not in the form of any contribution or donation to any person;

(g) such expenditure is not on account of a payment or aggregate of payments made to a person in contravention to the provisions of section 36(4), (5),

(6) and (7); and

(h) such payment is allowable under section 35(b)(i).

(4) For the purposes of this section, no set off or deduction or allowance of any application or expenditure other than those referred to in sub-section (3) shall be allowed.

6. Approval for purpose of deduction under section 133(1)(b)(ii)

Section 354 - Application for approval for purpose of section 133(1)(b)(ii)

STATUTORY TEXT

354. (1) A registered non-profit organisation or a person referred to in Schedule VII (Table: Sl. No. 1) may, for the purpose of section 133(1)(b)(ii), make an application for approval in such form and manner, as may be prescribed, to the Principal Commissioner or Commissioner, subject to the following conditions:—

(a) it is not expressed to be for the benefit of any particular religious community or caste;

(b) it is established in India for a charitable purpose and does not incur any expenditure of an amount exceeding 5% of its total income during a tax year which is of a religious nature;

(c) the instrument under which it is constituted does not, or the rules governing it do not, contain any provision for the transfer at any time of the whole or any part of its assets for any purpose other than a charitable purpose;

(d) it maintains regular accounts of its receipts and expenditure;

(e) it prepares such statement for such period, as may be prescribed, and deliver or cause to be delivered to the prescribed income-tax authority or the person authorised by such authority such statement in such form and verified in such manner and setting forth such particulars and within such time, as may be prescribed;

(f) it delivers to the said prescribed authority, a correction statement for rectification of any mistake or to add, delete or update the information furnished in the statement delivered under clause (e) in such form and verified in such manner, as may be prescribed; and

(g) it furnishes a certificate to the donor specifying the amount of donation within such period from the date of receipt of the donation containing the requisite particulars in manner, as may be prescribed.

(2) The application under sub-section (1) shall be made in respect of the cases referred to in column B of the Table below within the time limit provided in column C of the said Table and the Principal Commissioner or Commissioner, on receipt of such application, shall follow the procedure provided in sub-sections (3) and (4), and shall pass an order in writing within the time limit provided in column D and approval, if granted, shall be valid for a period provided in column E of the said Table:

Sl. No.	Case	Time limit for furnishing application	Time limit for passing order	Validity of approval
A	B	C	D	E

Sl. No.	Case	Time limit for furnishing application	Time limit for passing order	Validity of approval
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.
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.

(3) Where an application has been made in any of the cases specified under sub-section (2) (Table: Sl. Nos. 2 to 5), the Principal Commissioner or Commissioner shall call for such documents or information or make such inquiries as he thinks necessary in order to satisfy himself about the genuineness of the activities, and compliance of such requirements of any other law in force, as are material for the purposes of achieving its objects, and—

(a) if he is so satisfied about the objects and the genuineness of the activities and compliance of such requirements of any other law in force, he shall pass an order in writing approving it; or

(b) if he is not so satisfied, after affording a reasonable opportunity of being heard,—

(i) shall pass an order in writing rejecting the application, where the application was made in any of the cases specified in sub-section (2) (Table: Sl. No. 2); and

(ii) in any other case, shall pass an order in writing rejecting the application and also cancelling the approval, and send a copy of the order to the applicant and the Assessing Officer.

(4) Where an application has been made in any of the cases specified in sub-section (2) (Table: Sl. No. 1), the Principal Commissioner or Commissioner shall pass an order granting provisional approval. [Merger of registered non-profit organisation in certain cases.

354A. Where any registered non-profit organisation merges with any other registered non-profit organisation, the provisions of section 352 shall not apply if, —

(a) the other registered non-profit organisation has same or similar objects; and

(b) the said merger fulfils such conditions as may be prescribed.

> **PRACTICAL UNDERSTANDING - NOT PART OF THE ACT**
> This is the approval framework linked to donor deduction under section 133(1)(b)(ii).

Section 354A - Merger of registered non-profit organisation in certain cases

STATUTORY TEXT

354A. Where any registered non-profit organisation merges with any other registered non-profit organisation, the provisions of section 352 shall not apply if, —

(a) the other registered non-profit organisation has same or similar objects; and

(b) the said merger fulfils such conditions as may be prescribed.

FINANCE ACT, 2026 NOTE - NOT PART OF THE STATUTORY TEXT

Section 354A was inserted by Finance Act, 2026 with effect from 1 April 2026.

PRACTICAL UNDERSTANDING - NOT PART OF THE ACT

This Finance Act 2026 provision provides the merger exception to section 352 where the statutory conditions are met.

Section 355 - Interpretation

STATUTORY TEXT

355. For the purposes of this Part,—

(a) “anonymous donation” means any voluntary contribution referred to in section 2(49)(c), where a person receiving such contribution does not maintain a record of the identity indicating the name and address of the person making such contribution and such other particulars, as may be prescribed;

(b) “approval” means an approval under the second proviso to section 80G(5) of the Income-tax Act, 1961 (43 of 1961) or section 354;

(c) “cancellation” includes withdrawal;

(d) “donation” means any voluntary contribution received by a registered non-profit organisation from any person;

(e) “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;

(f) “registration” includes provisional registration, provisional approval or approval, as referred to in the second proviso to section 10(23C) or 12AB(1) of the Income-tax Act, 1961

(43 of 1961) and under section 332, but shall not include approval under the second proviso to section 80G(5) of the said Act or section 354;

(g) “registered non-profit organisation” means any person having a valid registration under any specified provision and such registration has not been cancelled;

(h) “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 ` 100000, 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-clause (i), (iii), (iv) or (v) has a substantial interest;

(i) “relative”, in relation to an individual, means—

(i) spouse of the individual;

(ii) brother or sister of the individual;

(iii) brother or sister of the spouse of the individual;

(iv) any lineal ascendant (maternal or paternal) or descendant of the individual;

(v) any lineal ascendant (maternal or paternal) or descendant of the spouse of the individual;

(vi) spouse of a person referred to in sub-clause (ii), (iii), (iv) or (v);

(vii) any lineal descendant of a brother or sister of either the individual or of the spouse of the individual;

(j) “residual income” means the total income without giving effect to the provisions of this Part, as reduced by regular income and specified income;

(k) “specified asset” means any asset which is established to have been directly acquired by the specified person—

(i) out of its income of the nature referred to in Schedule II (Table: Sl. No. 1);

(ii) during the period beginning from the date of its creation or establishment and ending on the date from which the registration under specified provision became effective, if the specified person has not been allowed any benefit under this Part or under sections 11 and 12 or section 10(23C)(iv) or (v) or (vi) or (via) of the Income-tax Act, 1961 (43 of 1961) during the said period, where provisions of the first proviso or the second proviso to section 12A(2) or the eighth proviso to section 10(23C) of the said Act, are not applicable;

(iii) during the period beginning from the date of its creation or establishment and ending on the date from which the registration under specified provision became effective due to the provisions of the first proviso or the second proviso to section 12A(2) or the eighth proviso to section 10(23C), where provisions of the first proviso or the second proviso to section 12A(2) or the eighth proviso to section 10(23C), of the Income-tax Act, 1961 (43 of 1961), are applicable; and

(iv) which has been transferred to any other specified person within twelve months from the end of the month in which the dissolution takes place in respect of a case specified in section 352(4) (Table: Sl. No. 9);

(l) “specified person” means any person which is registered under any specified provision at any time since its incorporation or creation;

(m) “specified provision” means section 12A, 12AA or 12AB or section 10(23C) of the Income-tax Act, 1961 (43 of 1961) or section 332;

(n) “substantial interest”, in relation to a person in a concern, means—

(i) in a case where the concern is a company, if its shares (not being shares entitled to a fixed rate of dividend whether with or without a further right to participate in profits) carrying not less than 20% of the voting power are, at any time during the tax year, owned beneficially by such person or partly by such person and partly by one or more of the other related persons; or

(ii) in the case of any other concern, if such person is entitled, or such person and one or more of the other related persons are entitled in the aggregate at any time during the tax year, to not less than 20% of the profits of such concern;

(o) “value” means the value of any benefit or facility granted or provided free of cost or at concessional rate to any related person;

(p) “wholly for charitable or religious purposes” shall mean wholly for charitable purposes or wholly for religious purposes or wholly for charitable and religious purposes.

CHAPTER XVIII APPEALS, REVISIONS AND ALTERNATE DISPUTE RESOLUTIONS

> **PRACTICAL UNDERSTANDING - NOT PART OF THE ACT**
> These definitions apply specifically to the registered-NPO Part and should be used when reading sections 332-354A.

CHAPTER XXI - PENALTIES

Section 445 - Benefits to related persons

STATUTORY TEXT

445. If during any proceedings under this Act, it is found that a person being a registered non-profit organisation has any specified income which is chargeable to tax as per section 337 (Table: Sl. No. 2), the Assessing Officer may impose on such person, a penalty of—

(a) a sum equal to the aggregate amount of income applied, directly or indirectly, by such person, for the benefit of any related person referred to in section 355(h), if the violation is noticed for the first time during any tax year; and

(b) a sum equal to 200% of the aggregate amount of income of such person applied, directly or indirectly, by that person for the benefit of any person referred to in section 355(h), if the violation is noticed again in any subsequent tax year.

PRACTICAL UNDERSTANDING - NOT PART OF THE ACT

This NPO-specific penalty provision is linked to specified income under section 337 (Table Sl. No. 2) and the related-person definition in section 355(h).

CHAPTER XXV - MISCELLANEOUS

Section 536 - Repeal and savings

STATUTORY TEXT

536. (1) The Income-tax Act, 1961 (43 of 1961) is hereby repealed.

(2) Irrespective of the repeal of the Income-tax Act, 1961 (43 of 1961) (herein referred to as the repealed Income-tax Act), and subject to sub-section (4)—

(a) nothing shall affect the previous operation of the repealed Income-tax Act and orders or anything duly done or suffered thereunder; or

(b) nothing shall affect any right, privilege, obligation or liability acquired, accrued or incurred under the repealed Income-tax Act or orders under such repealed Act;

(c) the provisions of the repealed Income-tax Act shall continue to apply to any proceeding pending on the date of commencement of this Act and to any proceedings initiated on or after the 1st April, 2026 (including notices, assessment, reassessment, recomputation, rectification, penalty, reference, revision and appeals) in respect of any tax year beginning before the 1st April, 2026 and such proceedings shall be carried out as per the procedure specified in the repealed Income-tax Act;

(d) any proceeding for the imposition of a penalty in respect of any tax year beginning before the 1st April, 2026, may be initiated and any such penalty may be imposed under the repealed Income-tax Act, as if this Act had not been enacted;

(e) any proceeding pending on the commencement of this Act before any income-tax authority or any other authority constituted under the repealed Income-tax Act, Appellate Tribunal, or any court, by way of application, appeal, reference or revision or by any other means, shall be continued and disposed of as if this Act had not been enacted;

(f) any election or declaration made, or option exercised, by an assessee under any provision of the repealed Income-tax Act and in force immediately before the commencement of this Act shall be deemed to have been an election or declaration made, or option exercised, under the corresponding provision of this Act;

[(g) where in respect of any proceeding relating to any tax year beginning before the 1st April, 2026,—

(i) a refund falls due on or after such date; or

(ii) default is made on or after such date, in the payment of any sum due under such proceeding, the provisions of the repealed Income-tax Act, relating to the interest payable by the Central Government on refunds or the interest payable by the assessee for default, shall apply for the period on or after such date, subject to the effect that—

(A) the rate of interest on refund or on the default, as the case may be, as provided in the repealed Income-tax Act has been substituted with the rate as provided in the corresponding provisions of this Act; and

(B) such substitution shall apply from the date on which such rate has been modified under this Act;] [(h) where any sum has been allowed as a deduction or has not been included

in the total income of any person, either on account of fulfilment of certain conditions or for any other reason, for any tax year beginning before the 1st April, 2026, and such sum was required to be included in the total income of any subsequent tax year including beginning on or after the 1st April, 2026 under the repealed Income-tax Act, if it had not been so repealed, on account of violation of such conditions or for any other reason, then such sum

shall be––

(i) deemed to be the income of such subsequent tax year; and

(ii) included in the total income of the said person under the same head of income as it would have been included under the repealed Income-tax Act;]

(i) any sum payable under the repealed Income-tax Act may be recovered under this Act without prejudice to any action already taken for the recovery of such sum under repealed Income-tax Act;

(j) any agreement entered into, appointment made, approval given, recognition granted, circular, direction, instruction, notification, order or rule or any scheme framed therein issued under any provision of the repealed Income-tax Act shall, so far as it is not inconsistent with the corresponding provisions of this Act, be deemed to have been entered into, made, granted, given or issued under the corresponding provision of this Act and shall continue in force accordingly;

(k) where the period provided for any application, appeal, reference or revision under the repealed Income-tax Act had expired on or before the commencement of this Act, nothing in this Act shall be construed as enabling any such application, appeal, reference or revision to be made under this Act by reason only of the fact that a longer period therefor is

prescribed or provision is made for extension of time in suitable cases by the appropriate authority;

(l) any amount of credit, in respect of tax paid, allowable to be carried forward in the case of an assessee, under the provisions of section 115JAA or 115JD of the repealed Income-tax Act for the tax year beginning before the 1st April, 2026, had the Income-tax Act, 1961 (43 of 1961) not been repealed,—

[(i) shall be deemed to be the amount eligible for credit under corresponding provisions or section 206(3) or (4) of this Act, as the case may be in the case of said assessee; and

(ii) credit for the tax paid under the repealed Income-tax Act shall be allowed under this Act for the period for which it would have been allowed under the repealed Income-tax Act if the assessee otherwise continues to satisfy the conditions as specified in the

corresponding provisions or section 206(3) or (4) of this Act, as the case may be in such tax years;]

(m) any amount of loss under the source or head of income specified in column B of the Table given below and referred to in the section of the repealed Income-tax Act specified in column C of the said Table, brought forward for the tax year beginning before the 1st April, 2026 had the Income-tax Act, 1961 (43 of 1961) not been repealed, shall be set off and carried forward against the income computed under this Act, in the manner provided in the respective section of the repealed Income-tax Act specified in column C of the said table, for the tax years beginning on or after the 1st April, 2026:

Sl. No.	Source or head of income under the repealed Income-tax Act	Section of the repealed Income-tax Act
A	B	C
1.	Income from house property.	71B.
2.	Profits and gains of business or profession.	72.
3.	Speculation business.	73.
4.	Specified Business.	73A.
5.	Activity of owning and maintaining race horses.	74A.

(n) any amount of loss under the head capital gains, whether related to a long-term capital asset or a short term capital asset, referred to in section 74 of the repealed Income-tax Act, brought forward from the tax year beginning before the 1st April, 2026 had the Income-tax Act, 1961 (43 of 1961) not been repealed, shall be carried forward and set off, in accordance with the manner provided in the repealed Income-tax Act, against the income under the head “Capital gains” computed under this Act for any tax year beginning on or after the 1st April, 2026 upto eight financial years immediately succeeding the financial year in which such loss was first computed under the repealed Income-tax Act;

(o) any set off of loss or allowance for depreciation made in any tax year beginning before the 1st April, 2026 in the hands of the amalgamated company, successor company or the successor limited liability partnership, in accordance with the provisions of section 72A of the repealed Income-tax Act, shall be deemed to be the income of the amalgamated company, successor company or the successor limited liability partnership, as the case may

be, chargeable to tax under this Act for the year in which any of the conditions specified in that section are not complied with;

(p) any set off of accumulated loss or unabsorbed depreciation allowed in any tax year beginning before the 1st April, 2026 to the successor co-operative bank, in accordance with the provisions of section 72AB of the repealed Income-tax Act, shall be deemed to be the income of the successor co-operative bank chargeable to tax under this Act for the year in which any of the conditions specified in that section are not complied with;

(q) any amount of profits or gains arising out of transfer of capital asset not charged under the head “capital gains” by virtue of the provisions contained in section 47(iv), (v), (xiii), (xiiib) or (xiv) of the repealed Income-tax Act in any tax year beginning before the 1st April, 2026 shall be deemed to be the income chargeable under the head “Capital gains” under this Act, for the tax year––

> **(A)** in which the transfer took place if any of the conditions laid down in section 47A(1)(i) or (ii) of the repealed Income-tax Act are satisfied; or
>
> **(B)** in which any of the conditions laid down in section 47(xiii), (xiiib) or (xiv) of the repealed Income-tax Act are not complied with, as the case may be;

(r) where any allowance or part thereof, under section 32(2) or 35(4) of the repealed Income-tax Act, is to be carried forward to tax year beginning on the 1st April, 2026, had the Income-tax Act, 1961 (43 of 1961) not been repealed, then, the allowance or part thereof shall be added to the amount of capital allowances referred to corresponding provisions of this Act for the tax year beginning on the 1st April, 2026 and deemed to be part of that allowance, or if there is no such allowance for that tax year, be deemed to be allowance for that tax year;

(s) the deduction referred to in sections 35ABA, 35ABB, 35D, 35DD, 35DDA, 35E or the first proviso to section 36(1)

(ix) of the repealed Income-tax Act, shall, on fulfilment of the conditions mentioned in the said provisions, continue to be allowed under this Act for tax year beginning on or after the 1st April, 2026 had the Income-tax Act, 1961 not been repealed and such deduction shall be added to the amount of deferred revenue expenditure allowance referred to corresponding

provisions of this Act for the tax year beginning on or after the 1st April, 2026 and deemed to be part of that allowance, or if there is no such allowance for a tax year, be deemed to be that allowance for that tax year;

(t) credit balance in the provision for bad and doubtful debts account made under section 36(1)(viia) of the repealed Income-tax Act standing on the last day of the tax year beginning on 1st April, 2025 shall be added to the amount credited to the provision for bad and doubtful debts accounts referred to in the corresponding provisions of this Act for the tax year beginning on the 1st April, 2026 and deemed to be part of amount credited to the provision for bad and doubtful debts accounts, or if there is no such amount credited for that tax year, be deemed to be amount credited for that tax year;

(u) any scheme which has been notified under the provisions of the repealed Income-tax Act with a view to eliminating the interface with the assessee or any other person, the said scheme shall be deemed to have been made—

(i) under the corresponding provisions of this Act; or

(ii) under section 532 where there is no such corresponding provision, and shall continue in force accordingly; and

(v) where a search has been initiated under section 132 or requisition is made under section 132A prior to the commencement of this Act, the provisions of repealed Income-tax Act, shall continue to apply to any proceedings connected in respect of such search or requisition, as the case may be, as if this Act has not been enacted.

(3) Where any reference is made in this Act to any tax year commencing on the 1st April, 2025 or to any earlier tax year, the same shall be construed as a reference to the corresponding previous year under the repealed Income-tax Act.

(4) Without prejudice to the provisions of sub-section (2), the provisions of section 6 of the General Clauses Act, 1897 (10 of 1897) shall apply with regard to the effect of repeal.

PRACTICAL UNDERSTANDING - NOT PART OF THE ACT

This is the key statutory bridge for historical registrations, proceedings, rights and liabilities

under the Income-tax Act, 1961.

NPO Cross-Reference Library - Act & Schedule References

This appendix brings together the statutory Schedule material repeatedly cross-referenced by the NPO provisions. Rules and prescribed Forms are intentionally reserved for Volume 2.

Schedule II - Selected NPO-relevant references

1. Agricultural income. Nil.

Schedule II - Note 1(c) - Keyman insurance policy

(c) “Keyman insurance policy” means a life insurance policy––

(i) taken by a person on the life of another person;

(ii) such person is or was the employee of the first-mentioned person or is or

was connected in any manner with the business of the first-mentioned

person; and

(iii) includes such policy which has been assigned to a person at any time during

the term of the policy, with or without any consideration;

Schedule III - Table Sl. Nos. 23, 27, 28, 29 and 36

Sl. No.	Income not included in total income	Eligible persons	Conditions
A	B	C	D
23.	Any income of a research association.	A research association for the time being approved for the purpose of section 45(3)(a).	(a) Applies its income or accumulates it for application, wholly and exclusively to the objects for which it is established; (b) invests its funds received in the forms or modes specified in section 350; (c) satisfies such conditions as may be prescribed; and (d) the procedure for withdrawal of approval granted shall be in such manner as may be prescribed.
27.	Any income, by way of contributions received from recognised stock exchanges and the members thereof.	Any Investor Protection Fund set up by recognised stock exchanges in India, either jointly or separately.	(a) Such fund is notified by the Central Government; and (b) where any amount standing to the credit of the Fund and not charged to income-tax during any tax year is shared, either wholly or in part, with a recognised stock exchange, the whole of the amount so shared shall be deemed to be the income of the tax year in which such amount is so shared and shall accordingly be chargeable to income-tax.
28.	Any income, by way of contributions received from commodity exchanges and the members thereof.	Any Investor Protection Fund set up by commodity exchanges in India, either jointly or separately.	(a) Such fund is notified by the Central Government; and (b) where any amount standing to the credit of the said Fund and not charged to income-tax during any tax year is shared, either wholly or in part, with a commodity exchange, the whole of the amount so shared shall be deemed to be the income of the tax year in which such amount is so shared and shall accordingly be chargeable to income-tax.
29.	Any income, by way of contributions received from a depository.	Any Investor Protection Fund set up as per the regulations by a depository.	(a) Such fund is notified by the Central Government; and (b) where any amount standing to the credit of the Fund and not charged to income-tax during any tax year is shared, either wholly or in part with a depository, the whole of the amount so shared shall be deemed to be the income of the tax year in which such amount is so shared and shall, accordingly, be chargeable to income-tax.

Sl. No.	Income not included in total income	Eligible persons	Conditions
A	B	C	D
36.	Any income of the nature and to the extent which the Central Government may, by notification, specify in this behalf.	A body or authority or Board or Trust or Commission (by whatever name called), or a class thereof, other than those covered under Schedule VII (Table: Sl. No. 42).	Such body or authority or Board or Trust or Commission— (a) has been established or constituted by or under a Central Act, State or Provincial Act, or constituted by the Central Government or a State Government, with the object of regulating or administering any activity for the benefit of the general public; (b) is not engaged in any commercial activity; and (c) is notified by the Central Government.

Schedule VII - Table Sl. No. 1; Sl. Nos. 10-19; and Sl. Nos. 42-45

Sl. No.	Eligible persons	Conditions
A	B	C
1.	Any regimental Fund or Non-public Fund established by the armed forces of the Union.	Such Fund is for the welfare of the past and present members of the armed forces or their dependants.
10.	The Prime Minister’s National Relief Fund or the Prime Minister’s Citizen Assistance and Relief in Emergency Situations Fund (PM CARES FUND).	Nil
11.	The Prime Minister’s Fund (Promotion of Folk Art).	Nil

Sl. No.	Eligible persons	Conditions
12.	The Prime Minister’s Aid to Students Fund.	Nil
13.	The National Foundation for Communal Harmony.	Nil
14.	The Swachh Bharat Kosh, set up by the Central Government.	Nil
15.	The Clean Ganga Fund set up by the Central Government.	Nil
16.	The Chief Minister’s Relief Fund or the Lieutenant Governor’s Relief Fund in respect of any State or Union territory as referred to in section 133(1)(a)(xv).	Nil
17.	Any University or other educational institution wholly or substantially financed by the Government.	(a) It exists solely for educational purposes and not for purposes of profit; and (b) if the Government grant to such University or other educational institution exceeds such percentage of the total receipts including any donations, as may be prescribed, of such University or other educational institution, it shall be considered as being substantially financed by the Government during the relevant tax year.
18.	Any hospital or other institution wholly or substantially financed by the Government.	(a) It is for the reception and treatment of persons suffering from illness or mental defective-ness, or for the reception and treatment of persons during convalescence or of persons requiring medical attention or rehabilitation; (b) it exists solely for philanthropic purposes and not for the purposes of profit; and (c) if the Government grant to such hospital or other institution exceeds such percentage of the total receipts including any donations, as may be prescribed, of such hospital or other institution, it shall be considered as being substantially financed by the Government during the relevant tax year.
A	B	C

Sl. No.	Eligible persons	Conditions
19.	(a) Any University or other educational institution; (b) any hospital or other institution.	(a) Such University or other educational institution exists solely for educational purposes and not for the purposes of profit; (b) such hospital or other institution is for the reception and treatment of persons suffering from illness or mental defective-ness, or for the reception and treatment of persons during convalescence or of persons requiring medical attention or rehabilitation; (c) such hospital or other institution exists solely for philanthropic purposes and not for the purposes of profit; and (d) the aggregate of annual receipts of such University or Universities or educational institution or institutions, and hospital or hospitals or institution or institutions, does not exceed five crore rupees; (e) where such University or other educational institution or such hospital or other institution receives any anonymous donation defined under section 355(a), the provisions of section 337 (Table: Sl. No. 1) in respect of specified income shall apply mutatis mutandis as they apply in the case of a registered non-profit organisation and such anonymous donations shall be excluded from the income on which no tax is payable.

Sl. No.	Eligible persons	Conditions
42.	Any body or authority or Board or Trust or Commission, not being a company, which has been established or constituted by or under a Central Act or State Act with one or more of the following purposes,— (a) dealing with and satisfying the need for housing accommodation; (b) planning, development or improvement of cities, towns and villages; (c) regulating, or regulating and developing, any activity for the benefit of the general public; or (d) regulating any matter, for the benefit of the general public, arising out of the object for which it has been created.	Such body or authority or Board or Trust or Commission is notified by the Central Government.
43.	National Credit Guarantee Trustee Company Limited, being a company established and wholly financed by the Central Government for the purposes of operating credit guarantee funds established and wholly financed by the Central Government.	Nil.
44.	A credit guarantee fund established and wholly financed by the Central Government and managed by the National Credit Guarantee Trustee Company Limited.	Nil.

Sl. No.	Eligible persons	Conditions
45.	Credit Guarantee Fund Trust for Micro and Small Enterprises, being a trust created by the Central Government and the Small Industries Development Bank of India established under section 3(1) of the Small Industries Development Bank of India Act, 1989 (39 of 1989).	Nil.

Schedule XVI - Permitted modes of investment or deposits

[See section 350]

1. The modes of investing or depositing the money referred to in section 350 shall be the following:—

(1) investment in savings certificates as defined in section 2(c) of the Government Savings Certificates Act, 1959 (46 of 1959), and any other securities

or certificates issued by the Central Government under the Small Savings Schemes of that Government;

(2) deposit in any account with the Post Office Savings Bank;

(3) deposit in any account with a scheduled bank or a co-operative society engaged in carrying on the business of banking (including a co-operative land mortgage bank or a co-operative land development bank);

(4) investment in units of the Unit Trust of India;

(5) investment in any security for money created and issued by the Central Government or a State Government;

(6) investment in debentures issued by, or on behalf of, any company or corporation both the principal whereof and the interest whereon are fully and unconditionally guaranteed by the Central Government or by a State Government;

(7) investment or deposit in any public sector company subject to the condition that where an investment or deposit in any public sector company has been made and such public sector company ceases to be a public sector company,—

> **(a)** such investment made in the shares of such company shall be deemed to be an investment made under this clause for three years from the date on which such public sector company ceases to be a public sector company;
>
> **(b)** such other investment or deposit shall be deemed to be an investment or deposit made under this clause for the period up to the date on which such investment or deposit becomes repayable by such company;

(8) deposits with or investment in any bonds issued by a financial corporation which is engaged in providing long-term finance for industrial development in India and which is eligible for deduction under section 32(e);

(9) deposits with or investment in any bonds issued by a public company formed and registered in India with the main object of carrying on the business of providing long-term finance for construction or purchase of houses in India for residential purposes and which is eligible for deduction under section 32(e);

(10) deposits with or investment in any bonds issued by a public company formed and registered in India with the main object of carrying on the business of providing long-term finance for urban infrastructure in India;

(11) investment in immovable property;

(12) deposits with the Industrial Development Bank of India established under the Industrial Development Bank of India Act, 1964 (18 of 1964);

(13) investment in the units issued under any scheme of the mutual fund referred to in Schedule VII (Table: Sl. No. 20) or (Table: Sl. No. 21);

(14) any transfer of deposits to the Public Account of India;

(15) deposits made with an authority constituted in India by or under any law enacted either for the purpose of dealing with and satisfying the need for

housing accommodation or for the purpose of planning, development or improvement of cities, towns and villages, or for both;

(16) investment by way of acquiring equity shares of a depository as defined in section 2(1)(e) of the Depositories Act, 1996 (22 of 1996);

(17) investment made by a recognised stock exchange referred to in section 2(f) of the Securities Contracts (Regulation) Act, 1956 (42 of 1956) (herein referred to as investor) in the equity share capital of a company (herein referred to as investee)—

(a) which is engaged in dealing with securities or mainly associated with the securities market;

(b) whose main object is to acquire the membership of another recognised stock exchange for the sole purpose of facilitating the members of the investor to trade on the said stock exchange through the investee as per the directions or guidelines issued under the Securities and Exchange Board of India Act, 1992 (15 of 1992) by the Securities and Exchange Board of India established under section 3 of that Act; and

(c) in which at least 51% of equity shares are held by the investor and the balance equity shares are held by members of such investor;

(18) investment made by a person, authorised under section 4 of the Payment and Settlement Systems Act, 2007 (51 of 2007), in the equity share capital or bonds or debentures of a company—

(a) which is engaged in operations of retail payments system or digital payments settlement or similar activities in India and abroad and is approved by the Reserve Bank of India for this purpose; and

(b) in which at least 51% of equity shares are held by National Payments Corporation of India;

(19) investment made by a person, authorised under section 4 of the Payment and Settlement Systems Act, 2007 (51 of 2007), in the equity share capital or bonds or debentures of Open Network for Digital Commerce Ltd., being a company incorporated under section 7(2) read with section 8(1)* of the Companies Act, 2013 (18 of 2013), for participating in network based open protocol models which enable digital commerce and interoperable digital payments in India;

(20) investment by way of acquiring equity shares of an incubatee by an incubator;

(21) investment by way of acquiring shares of National Skill Development Corporation;

(22) investment in debt instruments issued by any infrastructure Finance Company registered with the Reserve Bank of India;

(23) investment in “Stock Certificate” as defined in clause (c) of paragraph 2 of the Sovereign Gold Bonds Scheme, 2015, published in the Official Gazette vide notification number G.S.R. 827(E), dated the 30th October, 2015;

(24) investment by way of Acquiring Units of Powergrid Infrastructure Investment Trust;

(25) shares in a public sector company;

(26) any assets held by the trust or institution where such assets form part of the corpus of the trust or institution as on the 1st June, 1973;

(27) any asset, being equity shares of a public company, held by any university or other educational institution or any hospital or other medical institution where such assets form part of the corpus of any University or other educational institution or any hospital or other medical institution as on the 1st June, 1998, where it was approved at that time under the provisions of section 10(23C) of the Income-tax Act, 1961 (43 of 1961);

(28) any accretion to the shares, forming part of the corpus mentioned in sub-paragraph (26) or (27), by way of bonus shares allotted to the trust or institution;

(29) any assets (being debentures issued by, or on behalf of, any company or corporation) acquired by the trust or institution before the 1st March, 1983;

(30) voluntary contributions received and maintained in the form of jewellery, furniture or any other article as the Board may, by notification specify;

(31) any asset, not being an investment or deposit in any of the forms or modes specified in sub-paragraphs (1) to (30), where such asset is not so held up to one year from the end of the tax year in which such asset is acquired;

(32) any funds representing the profits and gains of business, being profits and gains of any tax year relevant to the tax year commencing on the 1st April, 1984 or any subsequent tax year so, however, where it has any other income in addition to profits and gains of business, these provisions shall not apply unless it maintains separate books of account in respect of such business. Interpretation.

2. For the purposes of this Schedule,—

(a) “long-term finance” means any loan or advance where the terms under which moneys are loaned or advanced provide for repayment along with interest thereof during a period of not less than five years;

(b) “public company” shall have the same meaning as assigned to it in section 2(71) of the Companies Act, 2013 (18 of 2013);

(c) “urban infrastructure” means a project for providing potable water supply, sanitation and sewerage, drainage, solid waste management, roads, bridges and flyovers or urban transport;

(d) “immovable property” does not include any machinery or plant (other than machinery or plant installed in a building for the convenient occupation of the building) even though attached to, or permanently fastened to, anything attached to the earth;

(e) “incubatee” shall mean such incubatee as may be notified by the Government of India in the Ministry of Science and Technology;

(f) “incubator” shall mean such Technology Business Incubator or Science and Technology Entrepreneurship Park as notified by the Government of India in the Ministry of Science and Technology.

Source Control & Update Discipline

Primary statutory source: Income Tax Department, Ministry of Finance, Government of India - Income-tax Act, 2025, consolidated as amended by Finance Act, 2026.

This companion separates statutory text from commentary. In case of any difference, the enacted/notified law and official Government publication prevail.

This is a version-controlled training reference. Annual Finance Acts, CBDT notifications/circulars, Rules and binding judicial developments should be incorporated through controlled updates.