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CPE STUDY CIRCLE

SUBJECT

THE INCOME-TAX BILL, 2025
PROVISIONS PERTAINING TO REGISTERED NPOs

ON 20TH JULY, 2025

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Key Changes in the Income-tax Bill, 2025

Pertaining to Non-Profit Organizations

(The bill is expected to come into effect from 1 April 2026.)

The government is also expected to present the Income Tax Bill, 2025 during the Monsoon session. The bill was introduced in the Lok Sabha in February and was referred to a Select Committee of the Lower House. The panel adopted its report on Thursday and is likely to present it in the Lok Sabha on Monday.

The simplification exercise was guided by three core principals –

- 1) The textual and structural simplification for improved clarity and coherence,
- 2) No modification of tax rate which is aimed at preserving predictability for tax payers.
- 3) To eliminate redundant and repetitive provision for better navigation, reorganizing section logically to facilitate ease of reference.

It has opted for simplified language to make the law more accessible and has removed obsolete and redundant provision for greater clarity.

Existing taxation principals have been preserved to ensure continuity while enhancing usability.

The provisions related to non-profit organizations introduces significant reforms to the taxation and regulatory framework of Non-Profit Organization (NPOs) in Income-tax Bill, 2025 (ITB). These reforms aim to improve transparency, accountability, Governance structure and ensure that non-profit sector operate more efficiently and in line with current standards by modifying provisions relating to registration, income computation and categorization, violation, investment rules and various compliance requirements in simple language and bringing similar provisions together in schedules and explaining compliance in tabular format and reducing the ambiguity.

The new Bill introduces unified term “**registered non-profit organization**” for all types of different NGOs known as institutions, universities, charitable trusts, religious trusts, NGOs etc. and it consolidates similar provisions into one section. The ITB removes redundant clauses, provisos and explanations. It presents key rules in a structured manner. The word count of provisions applicable to NPOs has been reduced from approximately 12500 to 7500.

As per recent media report that the select committee, Lok Sabha headed by BJP’s Baijayant Panda examined the IT Bill and adopted the report on the draft legislature which was expected to be presented on 21st July, 2025. He said we have made 285 recommendations. Govt. has already accepted 250.

It consists total seven parts covering provisions as under –

1	Registration	Sec. 332 & 333
2	Income of registered NPOs	Sec. 334 to 342
3	Commercial activities by registered NPOs	Sec. 344 to 346
4	Compliances	Sec. 347 to 350
5	Violations	Sec. 351 to 353
6	Donation eligibility u/s. 133(1)(b)(ii)	Sec. 354 (Old Sec. 80G)
7	Interpretation (For various connotations used in the Bill)	Sec. 355

Comparative table for new provisions and corresponding old provisions with note on key changes

Sr. No.	New Section	Heading	Old Section	Heading	Note on Key Changes
1	Sec. 2(23)	<u>Definition of charitable purpose - Includes</u> (relief of the poor; education; yoga; medical relief; preservation of environment – monuments; the advancement of any other objects of general public utility;	Sec. 2(15)	Definition of charitable purpose	No Change. The definition is inclusive definition. Note - The proviso to Sec. 2(15) has been shifted to Sec. 346.
2	Sec. 332	<u>Application for registration</u> Mandates a detailed registration process with eligibility criteria, documentation, and compliance verification by the commissioner. A table is prescribed for the procedure for obtaining and renewal of registration along with timeline and condonation provisions.	Sec. 12A/12AB	Registration focused primarily on ensuring the genuineness of the activity.	Stricter scrutiny, and detailed reporting requirements. Mandatory renewal every 3-5 years & 10 years for small trusts. Who can apply for the registration and eligibility criteria for registration is provided. There are some points to be noted. (Refer below note)

Note –

A) Who can apply for registration –

As per Sec. 332 (1) following persons may, for claiming benefits under this part as a registered NPOs make an application for registration. There are additions of entities who can apply for registration for claiming benefits such as-

Sub clause (d)- A university established by law or any other educational institution affiliated thereto or recognized by Government.

Sub clause (e) – An institution financed wholly or in part by Govt. or Local Authority

Sub Clause (f) – This clause contains many other entities including 10(23C) (iiiab), (iiiac), (iiiad) and (iiiiae) and Central Govt. may by notification specify in this behalf. (Govt. Established Bodies)

Sub clause (g) – Any other person notified by the Board.

Comment –

The scope of registration entities is increased as stated above. Previously sub sections of Sec. 10(23C) (iii) were neither required to apply for exemption nor obtained prior approval to claim tax benefits. Additionally they were not required to apply 85% of their income or undergo any audit provision. The only requirement was filing of ITR. However under the ITB framework such institutions must now obtained registration to qualify for tax exemptions and they must also comply with all regulatory conditions as prescribed under ITB.

B) Eligibility of Registration –

As per Sec. 332 (2) – A person referred to in sub section 1 (NPOs) shall be eligible for registrations if -

- a) Such person is constituted or registered or incorporated in India for carrying out one or more charitable purposes as referred in Sec. 2(23) or one or more public religious purposes or both.
- b) The properties of such person **are held under irrevocable trust** for the benefit of the general public –
 - i) Wholly for charitable or religious purposes or
 - ii) Partly for charitable or religious purposes in India, if such person was constituted or registered or incorporated prior to commencement of the Income-tax Act, 1961.

Comment –

1) As per sub clause (b) above the trust should be an irrevocable trust. If the trust deed doesn't contain irrevocable clause then NPOs may have to face problem in (present) renewal. Because the application for renewal of registration in form 10AB contains a clause - whether the trust deed contains irrevocable clause. The reply option in the form is Yes or No. There is no option of Not Applicable. It is pertinent to note that this requirement of irrevocable clause pops-up if you select type of constitution as trust. If you select any other type of constitution then this question does not pops-up. It means the requirement of irrevocable clause for the trust only.

2) As per clause (b–ii) above it says, where the NPOs having mixed objects i.e. partly charitable or partly religious they can get registration if such NPOs are constituted or registered or incorporated before the commencement of Income- tax Act, 1961.

As per aforesaid clause (b-ii) the trust having mixed objects they can get registration only if those trust are created prior to commencement of Income-tax Act, 1961. This provision will create problem for the most of the trust having mixed objects and established after 1961. As per aforesaid criteria a trust can get registration if it is wholly for charitable or religious purposes and mixed trust can obtained registration if it is established before 1961. One question arises that what will happen for the trusts which are already registered and having mixed objects? Whether they will be denied renewal? Whether they have to change their objects to fulfill the criteria? What is object to be achieved is beyond understanding. **This is an unfair provision it requires reconsideration,**

C) Re-registration on adoption or modification of objects

The ITB proposes to mandate re-registration in cases where registered NPOs has adopted or undertaken modification to its objects. Previously it was required in the cases where such adoption or modification which do not confirm to the conditions of registration. However, ITB do not imposed this condition and is removed.

D) Registration period for a smaller NPOs

The Finance Bill, 2025 has already proposed period of registration for a small NPOs has been extended from 5 years to 10 years whose total income before claiming exemption does not exceed Rs. 5 crores in each of the two financial year immediately preceding the year of application. The ITB has in Sec. 332 (5) incorporated the same provision. However, this extended registration period shall not apply to trust or institutions seeking registration for the first time irrespective of whether they apply before or after commencing activities.

Comment –

This interpretation is based on plain reading of the provision. However, even the new small trusts having income less than 5 crores should also get period of registration to 10 years.

3	Sec. 333	<u>Switching over of regimes</u> Allows NPOs to switch between exemption regimes with specified conditions.	Sec. 11(7)	Allows NPOs to switch between exemption regimes.	No Change. (Now Sec. 10(23C)(iv to via) are sunset provisions will be valid till its approval. There after they have to go for exemption u/s. 11)
4	Sec. 334	<u>Tax on income of registered NPO</u> Tax payable by registered NPOs on its total income shall be aggregate of the amounts calculated – a) at 30% on specific income, and b) applicable rates for taxable regular income and any residual income for such tax year under other provisions of this act	No provision for Normal Income and spread over across various provisions	Exemptions based on income utilization	New concept of Regular income and Residual income. Specified income is already taxed @30% Enhanced clarity and uniformity
5	Sec. 335	<u>Regular Income</u> <u>Includes-</u> Receipts from charitable or religious activities, receipts whether capital or revenue, income derived from property or investments, voluntary contributions, and permitted commercial activities.	Sec. 11(1)	No explicit definition of regular income	There was no provision explicitly defined the regular income being new concept.

6	Sec. 336	<u>Taxable Regular Income</u> (a) NIL income if 85% or more of regular income has been applied or accumulated u/s. 342 (b) Taxable Income – Shortfall of 85% of the regular income applied or accumulated u/s. 342.	Sec. 11(1)	Similar requirement with more flexible interpretation	No change Stricter application rules. Accumulation only u/s. 342 (Old Sec. 11(2)) (Refer below note)
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Note – Sec. 342 prescribed provisions for accumulation of income. The corresponding Sec. is 11(2) of ITA. The legal framework under both ITA and ITB are the same.

However, under current ITA a trust is eligible for accumulation under clause 2 to explanation 1 of Sec. 11. The reasons for accumulation under this clause was either the income is not received or for any other reason. There is a prescribed form – 9A to be filed before the due date of filing ITR along with stating the reason any one of the above two. In case if the reason opted is income not received then accumulated income was required to be applied in the year in which said income is received and so far as any other reason is concerned the said accumulated amount was required to applied in the next year.

Comment – There is a key legislative change that this option of accumulation is not available in ITB. It has been removed.

The registered NOPs will face practical difficulty for the income which is accrued but not received since accumulation cannot be done because they cannot meet the conditions of prescribed u/s. 342 (Current 11(2)) of investment in prescribed mode u/s. 350.

To overcome this issue the NPOs either have to go for cash system of accounting, which is not possible for Sec. 8 Company since company law prescribes mercantile system of accounting or they have to shift their investments to non- cumulative option and there will be no option for other income accrued but not received. There will be additional problem of TDS done on such accrued income and income will be reported in 26AS.

This is not a fair framework of law. This requires reconsideration. The suggested provision is to provide clause for accumulation at least for income accrued but not received.

7	Sec. 337	<p><u>Specified Income</u></p> <p>Lists specific income as per chart provided which is the same it was earlier.</p> <p>a) Anonymous donation, more than prescribed limit (Other than NPOs established wholly for religious purposes) (b) Amount spent for the benefit of related person, (c) Applied outside India without Board permission, (d) Investment contravention to Sec. 350, (e) Deemed corpus, if conditions violated, (f) Accumulated Income – Applied other than charitable or religious purposes for which the amount was accumulated, cease to be accumulated, not utilized for the purpose for which it was accumulated & credited or paid to other registered NPOs, (g) Income applied other than charitable or religious purposes AND (h) Any income determined by AO u/s. 344 in excess of book profit.</p>	Sec. 115BBC, 115BBI, 11(3), 11(4), 13(1)(c) & (d)	Similar but were scattered under various sections	<p>All similar specified income are brought together.</p> <p>Detailed classification with defined the tax years.</p> <p>The Anonymous donations explicitly excludes NPOs established wholly for religious purpose. (Refer below note)</p>
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Note –

Sec. 337 – Specified Income – In table at serial no. 1 – It is mentioned –

Any anonymous donations received by registered NPOs (Other than registered NPOs created or established wholly for religious purposes) excluding anonymous donations up to Rs. 1 Lakh or 5% of such donations received by it during the tax year whichever is higher.

- 1) Earlier it was not clear that the exemption available for receipts of anonymous donations received by mix trust having charitable and religious activities. There was confusion that in the mix objects if money is collected in collection box at the temple or anonymous donation received for religious activities whether that portion of anonymous donations is exempted or not. Now in the ITB it is very clearly mentioned that the exemption is available only NPOs created or established wholly for religious purposes.
- 2) The exclusion limit of anonymous donations, the earlier provision was 5% of total donations received by the assessee however, now the word is used 5% of **such donations** received. It means now the exclusion will be 5% of total anonymous donations received or Rs. 1 lakh whichever is higher.
- 3) There is exclusion in current ITA for any trust or institution established wholly for religious and charitable purposes other than any anonymous donation made with a specific direction that such donations is for any university or other educational institution or any hospital or medical institution run by such trust or institution. Now in the present ITB this exclusion is removed.

8	Sec. 338	<p><u>Income not to be included in regular income.</u></p> <p>a) Income applied outside India with Board approval.</p> <p>b) Corpus donations are not included in the regular income with specific direction (as per Sec. 339)</p>	Sec. 11(1)(c) & 11(1)(d)	Income not to be included in regular income.	<p>No change.</p> <p>Both the old provisions are merged.</p>
9	Sec. 339	<p><u>Corpus Donations</u></p> <p>Donations made with a specific direction and such donations are invested or deposited in any of the modes permitted u/s. 350 and maintained specifically for such corpus.</p>	Sec. 11(1)(d) & 11(5)	Similar provisions without stringent documentation requirements	No Change.
10	Sec. 340	<p><u>Deemed Corpus Donations</u></p> <p>A registered non-profit organization such as temples, mosques, gurdwaras, churches, or other places listed under section 133(1)(b)(vii). They can opt for donations received for renovation being corpus donations with prescribed conditions to be followed.</p>	Explanation 3A of Sec. 11(1) & Sec. 80G(2)(b)	No explicit heading. Both the provisions are brought together.	<p>No Change.</p> <p>New connotation is given as deemed corpus donations.</p>

11	Sec. 341	<p><u>Application of Income</u></p> <p>1. <u>Allowable Income Applications for NPOs.</u></p> <p>a) Application is allowable on actual basis and spent for charitable or religious purposes for which it is registered and with TDS compliances and cash payments restrictions. (As per Sec. 35 & 36 of ITB)</p> <p>b) 85% of donations to other registered NPOs</p> <p>c) Not allowed corpus donations to other NPOs.</p> <p><u>2. Other Applications:</u></p> <p>a) Invested or deposited back within 5 years for such applications were made out of corpus.</p>	Sec. 11	<p>Application of Income. No clarity and there was no separate headings for similar applications.</p>	<p>No change Except –</p> <p>The new connotation of deemed accumulation of income is introduced in ITB.</p> <p>Refer specific Sec. 343 for deemed accumulation of income.</p>
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12	Sec. 342	<p><u>Accumulated Income</u></p> <p>Accumulation or set apart of its regular income is permitted to be accumulated for specific purpose for a period not exceeding 5 years and to be invested in prescribed mode u/s. 350.</p>	Sec. 11(2)	There was no clarity about which income can be accumulated.	<p>No Change. Same provisions and conditions.</p> <p>Except clarification about accumulation can be done only out of its regular income.</p>

13	Sec. 343	<p><u>Deemed accumulated income</u></p> <p>1. To the extent 15% of regular income, after application and accumulation shall be considered deemed accumulated income and must be invested as per section 350. It is not considered accumulated income under section 342.</p>	Sec. 11(1)(a)	There was no such provision	<p>New connotation of deemed accumulated income is introduced. There was no such requirement of investment. No provision for how long the said investment is to be kept.</p> <p>Application of income will not be allowed out of deemed accumulation. (Refer Sec. 341)</p>
14	Sec. 344,	<p><u>Commercial activities</u></p> <p><u>Business undertaking held as property</u></p>	Sec. 11(4)	Similar concept but no explicit provision.	<p>If income determined by AO exceeds income as per A/c such excess income would be deemed to have applied for non-charitable purposes and was taxed accordingly whereas this section does not contain similar deeming provision. However, it is classified as specified income in Sec. 337.</p>

15	Sec. 345	<p><u>Restriction on commercial activities by registered NPOs. Objects other than GPU.</u></p> <p>No commercial activities to be conducted unless such commercial activity is incidental to its objects and separate books of accounts are maintained.</p>	Sec. 11(4A)	Similar concept but no explicit provision.	Stricter regulatory approach by explicitly restricting commercial activities for certain categories of NPOs.
16	Sec. 346	<p><u>Restriction on commercial activities by registered NPOs, carrying out advancement of any other object of GPU</u> Unless –</p> <p>(a) Such commercial activity is undertaken in the course of actual carrying out of GPU.</p> <p>(b) The aggregate receipts from such activities do not exceed 20% of total receipts.</p>	Sec. 2(15)	Similar concept but no explicit provision.	No change.

17	Sec. 347	<u>Books of account</u> The registered NPOs required to keep and maintain books of accounts and other documents as prescribed, if the income exceeds maximum amount not chargeable to tax.	Sec. 12A(1)(b)	The CBDT has notified rule 17AA which prescribes maintenance of books and other documents.	No change.
18	Sec. 348	<u>Audit</u> Where the total income exceeds maximum amount not chargeable to tax. The NPOs should furnished audit report within the prescribed time and form.	Sec. 12A(1)(b)	It was along with the provisions of requirement of accounts	No change.
19	Sec. 349	<u>Return of Income</u> Where the total income exceeds maximum amount not chargeable to tax. It shall furnish ITR within the prescribed time.	Sec. 139(1) & (4)	Same provisions	No change.

20	Sec. 350	<u>Permitted modes of Investments</u> The modes of investing or depositing the money under this Part, shall be such as specified in Schedule XVI and specified by the Central Government, by notification.	Sec. 11(5)	Same provisions	No change. The permitted modes are not explicitly stated within the section but now prescribed separately under schedule XVI.
21	Sec. 351	<u>Specified violations</u> a) Application other than objects b) Commercial activity contrary to Sec. 345 (c) Utilization for private religious purposes that do not benefit public (d) Utilization for specific religious community or caste except SC, ST, BC, Women and children (e) Activities not genuine or not in compliance with conditions of registration (f) non-compliance of any other law has been attend finality (g) False or incorrect information in registration application u/s. 332(1)	Sec. 12AB (4) & (5)	Similar penalties but less rigorous enforcement.	No Change. It is pertinent to note that the occurrence of one or more specified violations leads to cancellation of registration.

22	Sec352	<p><u>Tax on Accreted Income</u></p> <p>Levies 30% tax on accreted income when an NPO's registration is cancelled or assets are transferred to a non-NPO The incidents of levy of tax on accreted income is provided in tabular format for easy understanding.</p>	Sec. 115TD, 115TE, & 115TF	Similar provisions with less clarity and was not written in order and there was no clarity on calculation methods.	<p>No change.</p> <p>Except the word withdrawn is added along with cancellation.</p> <p>Even in Sec. 355 - Interpretation it defines – “The cancellation includes withdrawal.”</p>
23	Sec. 353	<p><u>Other Violations</u></p> <p><u>Special provision for computation of taxable income for such violations are occurred-</u></p> <p>(1) fails to maintain books of accounts, (2) fails to get accounts audited, (3) fails to furnish ITR and (4) carrying out non-permitted commercial activity; In these circumstances the regular income shall be computed as reduced by certain expenditure not permitted, shall be taxed as per Sec. 334 (At normal rate).</p>	Sec. 13(10)	Similar Provisions	<p>No change.</p> <p>It is a good provision since for particular four defaults this section provides mechanism for the computation of income.</p> <p>The list of not allowable expenditure mentioned in the sub clause 3 of the Section.</p>

24	Sec. 354	<p><u>Approval for deduction-</u> <u>(For deduction to the donor for donation made to Reg. NPOs)</u></p> <p>Provides guidelines for obtaining approval for deductions u/s. 133(1) (b) (ii) subject to conditions prescribed. A table is provided for the procedure for obtaining and renewal of approval along with time line.</p>	Sec. 80G (Form 10BD & Form 10BE)	<p>Similar provisions.</p> <p>All such connected provisions were scattered now brought under one section.</p>	<p>No Change.</p> <p>It is pertinent to note that there is still no proposed provision for condonation of delay in case of conversion of provisional approval to regular approval and for renewal of approval.</p>
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Note –

Registered NPOs or a person referred to in Schedule VII (Earlier written Sch – III) may for the purpose of this Section make an application for approval subject to following conditions.

- 1) Not for the benefit of any particular religious community or caste.
- 2) Does not incurred expenditure 5% or more of its total income on religious nature.
- 3) Instrument or rules do not contain provision for transfer of its assets for any purpose other than charitable.
- 4) It maintains regular accounts its receipts and expenditures.
- 5) It prepares such statement and submit to Income-tax Authority in such form within such time as prescribed.
- 6) It furnishes a certificate to donor with amount of donations and particulars as prescribed.

25	Sec. 355	<p><u>Interpretation</u></p> <p>Defines terms and clarifies provisions for consistent application.</p>	<p>Sec. 1115BBC, 80G(5), Sec. 2(15), 10(23C) or Sec. 12AB(1), Sec. 13(3)</p>	<p>These interpretations were scattered along with particulars section.</p>	<p>The certain connotations are defined and brought together at one place.</p> <p>There are certain definitions to be noted -</p> <ol style="list-style-type: none"> 1) Cancellation includes withdrawal 2) Residual income is defined as total income reduced by regular income and specified income. 3) Specified assets – means any assets which is established to have been directly acquired by specified person 4) Specified person – means any person which is registered under any specified provision at any time. 5) Specified provision – means Sec. 12A / 12AA / 12AB or Sec. 10(23C) of ITA or Sec. 332 of ITB.
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ITB, 2025 has prescribed 4 schedules partly or fully applicable to registered NPOs.

Schedule No.	Heading	Applicable Table Sl. No.
Schedule – II	Income not to be included in total income.	Table: Sl. No. 1
Schedule – III	Income not to be included in total income of eligible persons.	Table: Sl. No. 27 to 29 & 36 10 to 19 and 42 to 45 & 1
Schedule – VII	Persons exempt from tax.	Table: Sl. No. 10 to 19 & 42 43, 44 or 45
Schedule – XVI	Permitted modes of investment or deposits.	All Table

Summary Review –

Simplification of Terms

It is necessary to understand the term ‘registered non-profit organization’ since it is frequently used in the Income tax bill 2025. A Registered Non-Profit Organization refers to any entity that holds a valid registration under Section 12A, 12AA, or 12AB or Section 10(23C) of the Income-tax Act, 1961 provided that such registration has not been cancelled. The term consolidates various classifications like trusts, institutions, universities, educational institutions, and hospitals, which are used across different provisions of the Act.

Consolidation of various Provisions

Previously tax provisions related to non-profit organizations (NPOs) were scattered across multiple sections of the Income Tax Act, 1961. The Income-tax Bill, 2025 consolidates similar provisions into a single, dedicated section to simplify compliance and ensure clarity.

Redundant Provisions removed & structured format, easy to understand

The bill removes redundant provisions, such as the requirement to reinvest capital gains into capital assets. Additionally, it tabulates the registration process, making it easier to understand and follow. By clearly categorizing commercial activities, compliance requirements, and violations, the law provides a more structured approach to regulating tax-exempt charities.

Incorporation of frequent amendments

Over the past few years, tax laws for charitable entities have undergone frequent amendments, creating challenges for organizations in keeping up with evolving regulations. By consolidating and streamlining these provisions, the bill provides greater stability and predictability for tax-exempt entities.

These changes have been introduced to simplify tax compliance and make it more accessible, especially for small non-profits. By reducing complexity and legal jargon, the restructuring ensures that organizations with limited financial and legal resources can navigate tax laws more efficiently and comply with ease.

Whether under new bill existing NPOs have to obtain registration again.

Previously, registered non-profit organizations (NPOs) could claim tax exemptions under two separate regimes—Section 10(23C) and Sections 11 to 13 of the Income Tax Act, 1961. Additionally, several common provisions applied to both regimes, including Sections 115BBC, 115BBI, 115TD, 115TE, 115TF, and 2(15).

With the Finance (No. 2) Act, 2024, new applications under the first regime (Section 10(23C)) will not be accepted after 1.10.2024. However, organizations already approved under this regime will continue to enjoy exemptions for the validity period of their approval. Once their approval expires, they must register under the second regime to maintain their tax-exempt status.

The new Bill protects the eligibility of all currently registered NPOs, ensuring that those with valid registrations under Sections 12A, 12AA, 12AB, or Section 10(23C) can continue to claim benefits, provided their registrations have not been cancelled. This provision safeguards existing organizations, allowing them to transition smoothly under the revised framework without losing tax benefits.

Notes on Key changes –

Note – 1 – For Capital Gain

Sec. 11(1A) of current ITA provides were capital assets, being property held under trust wholly for charitable and religious purposes is transferred and the whole or any part of net consideration is utilized for acquiring another capital assets to be so held, then, the capital gain arising from such transfer shall be deemed to have been applied.

There is no corresponding provision in ITB. Hence the capital gain arises on transfer of capital assets will be treated as regular income and the provisions will apply accordingly. However there is no clarity whether in ITB indexation will be available or not.

Note – 2 – Inter-charity donations –

Sec. 341 (1)(b) of ITB says 85% of sum paid by way of donation made to any other registered non-profit organization will be allowed as application of income.

Earlier the provision was containing the word used “any amount credited or paid to another trust”. Now the said word credited or paid is replaced by the word donation. With this change now the confusion about payments made to other trust for treatment of any patient or for educational fees paid for student to school run by charitable trust is now clear.

Note – 3 – Donation to other trust –

The ITB specifies u/s. 332 that donations must be made to a registered NGOs.

Note – 4 – Approval for deduction – Sec. 354 for the purpose of deduction u/s. 133(i)(b)(ii)

It is pertinent to note that there is still no proposed provision for condonation of delay in case of conversion of provisional approval to regular approval and for renewal of approval.

While the explanatory memorandum of budget, 2024 notes says that sometimes funds or institution are unable to make application for approval u/s. 80G within the specified timelines which results in unintended consequences such as permanent exit of funds or institution from the purview of Sec. 80G.

Such provisions for condonation of delay should also be provided in the ITB as it is provided for registration provisions to mitigate the hardship faced by many NPOs.

Note – 5 – Applicability of case laws delivered under current ITA

The provisions provided in ITB are almost similar as it is under the current ITA except few key changes and certain small changes. However, the basic concept of taxation of charitable trust remains the same. Therefore, the earlier case laws on various subjects will continue to apply even after ITB becomes Act.

Conclusion –

The Income Tax Bill, 2025 brings significant reforms to simplify the tax provisions applicable to Non-Profit Organizations (NPOs), ensure greater clarity, and make compliance understandable. It consolidates various provisions into a single part and eliminating redundant sections, provisos and explanations. It introduces more structured, transparent and accountable frame work for NPOs in simple language easy to understand and clear interpretation. While it imposes more strict compliances, clarity and consistency, facilitating better governance in the NPO sector.

(There may be some shortcomings or some changes might have been missed out. I have tried my best to cover all proposed changes.)

- THANK YOU -

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