



THE INSTITUTE OF CHARTERED ACCOUNTANTS OF INDIA – ERNAKULAM BRANCH

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SEMINAR ON REGISTERED NON PROFIT
ORGANISATIONS – REGISTRATION,
COMPLIANCE, EXEMPTIONS &
REASSESSMENT UNDER THE 2025 TAX
FRAMEWORK



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TOPICS

1. Chapter XVII – Part B “Special Provisions for Registered Non-Profit Organisation”
2. Meaning of Registered NPO
3. Registration of Non-Profit Organisations
4. Exemptions & Reassessment of Non-Profit Organisations
5. Compliances of Non-Profit Organisations
6. Income Tax Rules 2026 & Forms
7. Darpan

INCOME TAX ACT 1961

The present provisions related to Charitable Institutions:

- Chapter I: Charitable Purpose sec 2(15).
- Chapter III: Sections 10(23C), section 11, section 12, section 12A, section 12AA, section 12AB, section 12AC & section 13.
- Chapter VIA: Section 80G
- Chapter XII: Section 115BBC, Section 115BBI
- Chapter XII EB: Section 115TD, Section 115TE, Section 115TF

Since the provisions are spread across Chapters, there are several cross-references.

STREAMLINED TAX STRUCTURE



TOTAL SECTIONS

Reduced from 819 to 536 sections



CHAPTERS

Reduced from 47 to 23 chapters



SCHEDULES

16 schedules included



NEW TOOLS

Introduction of tables and formulas for clarity and ease of interpretation

Source: Central Board of Direct Taxes (CBDT)

The Income Tax Act, 2025 represents a transformative step toward building a more transparent, efficient, and taxpayer-friendly direct tax system in India. By simplifying legal structures, embracing digital processes, and aligning with global standards, the Act lays the foundation for a modern fiscal framework. Guided by Prime Minister Narendra Modi's vision of a developed and inclusive India, this reform reflects the government's commitment to ease of compliance, economic growth, and institutional accountability.

1. Chapter XVII - Part B “Special Provisions for Registered Non-Profit Organisation.”

The legislative framework governing NPOs has been restructured and consolidated into seven sub-parts [Sec 332 to 355 of the Income-tax Act, 2025], covering the following aspects:

- Registration [Sec 332 to 333]
- Income [Sec 334 to 343]
- Commercial Activities [Sec 344 to 346]
- Compliances [Sec 347 to 350]
- Violations [Sec 351 to 353]
- Approval for Donations [Sec 354]
- Interpretations [Sec 355]

Structure of Chapter XVII - Part B (Sec 332 – Sec 355)

1. Registration (Sec 332-333)

- Application For Registration
- Switching Over of Regimes

2. Income (Sec 334-343)

- Tax on income of registered NPO
- Regular Income
- Taxable Regular Income
- Specified Income
- Income not to be included in total income
- Corpus Donation
- Deemed Corpus donation
- Application of income
- Accumulation of income
- Deemed Accumulation of income

3. Commercial Activities (Sec 347-350)

- Business undertaking held as the property
- Commercial Activities by Registered NPO
- Commercial Activities by registered NPO with GPU

4. Compliances (Sec 347-350)

- Books of Account
- Audit
- Return of Income
- Permitted Modes of Investment

5. Violations (Sec 351-353)

- Specified Violations
- Tax on Accreted Income
- Other Violations

6. Approval for Donations (Sec 354)

7. Interpretations (Sec 355)

2. Meaning of Registered NPO

‘Registered NPO’ shall mean:

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

3. REGISTRATION OF NON-PROFIT ORGANISATIONS

Application for Registration [Sec 332]

(Corresponding Provision: Section 12A and 12AB of the ITA 1961)

- Sec 332 of ITA governs the registration process for NPOs seeking benefits under this Part.
- To qualify as a registered NPO, an application for registration must be submitted to the PCIT/CIT in the prescribed form and manner.
- The process, application time limits, registration period, and procedures followed by the PCIT/CIT, powers of condonation of delay remain largely the same under the ITA 1961.
- The provisions regarding the time limits for submitting applications, passing orders, and registration validity are now presented in tabular form within the law itself.

Application for Registration [Sec 332]

Clarity on carrying out multiple charitable purposes:

- Sec 332(2)(a) now explicitly permits NPOs to pursue multiple charitable purposes as listed under Sec 2(23) definition (Sec 2(15) of ITA 1961).
- Previously, whether an NPO could engage in multiple charitable objects or was restricted to a single category under Section 2(15) of ITA 1961 was ambiguous.
- This clarification ensures that NPOs can operate across multiple charitable purposes.

Application for Registration [Sec 332]

Re-registration on modification of objects:

- Mandate re-registration in cases where a registered NPO has adopted or undertaken modifications to its objectives.
- Previously, this requirement explicitly applied where a trust that adopted or undertook modifications to its objects, which did not conform to the conditions of its registration.
- The New provisions do not impose the condition that such modifications must be inconsistent with the original registration terms.
- Accordingly, all NPOs must now apply for re-registration upon any adoption or modification of their objectives, irrespective of whether such modifications align with the conditions of their initial registration.

Application for Registration [Sec 332]

Requirement to Registration:

- Under new act institutions wholly or partially financed by the Government or a local authority must now obtain registration to qualify for tax exemptions Sec 332(e).
- These NPOs enjoy blanket tax exemption Sec (iiiab) and (iiiac) of Section 10(23C). While such NPOs continue to enjoy such exemptions under new law without any additional conditions under schedules.
- However, there appears to be a requirement to obtain NPO registration under Sec 332, which makes tax exemption subject to the fulfilment of various conditions.
- The intent of extending registration requirements to such NPOs is unclear and creates overlap.

Switching Over of Regime [Sec 333]

(Corresponding Provision: Section 11(7) of the ITA 1961.)

- Registered NPOs cannot claim an exemption under Sec. 11 of ITA 2025 except some provisions mentioned in Schedules of Sec. 11 of ITA 2025 .
- However, the registration granted under Sec. 332 shall cease to operate from the date the NPO is notified under these provisions or claim exemption under these provisions.
- A person whose registration ceases to operate may apply for making its registration operative again under Sec 332 of ITA 2025 subject to the condition that the notification granting exemption under that particular provision 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 Schedules.

4. Exemptions & Reassessment of Non-Profit Organisations

Tax on income of registered NPO [Sec 334]

(No similar provision in ITA 1961-Instead, different provisions governed the taxation of certain types of income like Section 115BBI, 115BBC and 164(2))

ITA 2025 introduces Sec 334, which provides for the tax payable by registered NPOs. The income tax payable by a registered NPO for any tax year shall be computed as follows:

- (a) 30% tax rate on 'specified income' for that tax year; and
- (b) Tax at applicable rates on taxable regular income and any residual income under other provisions of the Act.

Regular Income [Sec 335]

Corresponding Provision:

No similar provision in ITA 1961.

Under the IT Act 2025, no provision explicitly defined the components of regular income for trusts or NPOs. Instead, the different categories of income were addressed under various provisions:

- Income from property or investments was covered under section 11(1) of ITA 1961.
- Business income was addressed under section 11(4) and 11(4A) of ITA 1961.
- Voluntary contributions were covered under section 12(1) of ITA 1961.

Regular Income [Sec 335]

The regular income of a registered NPO for any tax year shall include the following:

- (a) Income from any charitable or religious activity:** Income from a charitable or religious activity for which such registered NPO is registered, carried out by it in such tax year;
- (b) Income from property or investments:** Receipts, other than from commercial activities, whether capital or revenue, derived from any property or investment held by such registered NPO in such tax year;
- (c) Voluntary contributions:** Voluntary contributions received by such registered NPO in such tax year; and
- (d) Business held as property and incidental business income:** The gains from any commercial activity, other than the commercial activities restricted under Sec 345 and 346 of ITA 2025, carried out by such registered NPO in such tax year, computed in such manner as prescribed.

Taxable Regular Income [Sec 336]

The taxable regular income of a registered NPO for any tax year shall be determined as follows:

- (a) Nil Income:** The taxable regular income shall be nil if 85% or more of the regular income for the tax year has been applied or accumulated under Sec 342 of ITA 2025 for charitable or religious purposes, in such tax year as per the provisions of this Part.
- (b) Taxable Income:** In any other case, the taxable regular income shall be 85% of the regular income for the tax year, reduced by the amount of such income applied for charitable or religious purposes or accumulated under Sec 342 of ITA 2025 in accordance with the provisions of this Part.

Taxable Regular Income [Sec 336]

- There is no change in the method of calculation. Therefore, the taxable income will be deemed nil if 85% of the regular income is applied or accumulated for charitable or religious purposes.
- If less than 85% is applied or accumulated, the shortfall in the application or accumulation of 85% shall be considered taxable regular income and subject to tax.

COMPUTATION OF INCOME

Particulars	Rs. Lacs	
Gross Receipts		100
Less: Deductions u/s 336		(15)
Balance Income to be applied		85
Less: Income applied		
Revenue Expense	70	
Capital Expenses	15	(85)
Total Income		Nil

COMPUTATION OF INCOME DEEMED APPLICATION FOR 1 YEAR

Particulars	Rs. Lacs	
Gross Receipts		100
Less: Deductions u/s 336		(15)
Balance Income to be applied		85
Less: Income applied		
Revenue Expense	50	
Capital Expenses	25	(75)
Balance Income		10
Less: Deemed application u/s 341(5)		(10)
Total Income		Nil

COMPUTATION OF INCOME

ACCUMULATION OF INCOME UPTO 5 YEAR

Particulars	Rs. Lacs	
Gross Receipts		100
Less: Deductions u/s 336		(15)
Balance Income to be applied		85
Less: Income applied		
Revenue Expense	40	
Capital Expenses	10	(50)
Balance Income		35
Less: Accumulated income u/s 342(1)		(35)
Total Income		Nil

Specified Income [Sec 337]

Corresponding Provision:

Various incomes/violations were subject to special tax rates were governed under different provisions, including taxation under section 115BBI for specified violations, taxation of anonymous donations under section 115BBC, and taxation under section 164(2) as an Association of Persons (AOP), Section 13, Section 12(2).

With the introduction of Sec 337 in ITA 2025, all specified income categories are now consolidated under a single provision.

Specified Income [Sec 337]

- Sec 337 delineates the categories of income that shall be considered “specified income” for a registered NPO, and
- The tax year in which such income shall be subject to taxation.

Specified Income [Sec 337]

SI No.	Specified income	Tax year
1	<p>Any anonymous donation received by a registered non-profit organisation other than a registered non-profit organisation created or established,—</p> <ol style="list-style-type: none">1. wholly for religious purposes, or2. 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.

SI 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.

SI No.	Specified income	Tax year
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.
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.

Specified Income [Sec 337]

Anonymous Donation by NPO:

- Anonymous donations received by an NPO established wholly for religious purposes are excluded from the definition of specified income
- Under section 115BBC of ITA 1961, this exemption was available not only to trusts or institutions established wholly for religious purposes but also to those established wholly for both religious and charitable purposes.
- However, under the earlier provision, if an anonymous donation was received with a specific direction that it was intended for a university, other educational institution, hospital, or medical institution run by the trust, such donations were subject to tax
- While other anonymous donations made to institutions engaged in both religious and charitable activities remained exempt under section 115BBC, this exemption has not been extended under Sec 337 of ITA 2025

Income not to be included in Regular Income [Sec 338]

Income applied outside India (Sec 338(a) similar to section 11(1)(c) of the ITA 1961.

Income applied outside India shall be excluded only where the Board, by general or special order, directs that such income shall not be included in the total income of a registered NPO, provided that:

(i) The NPO was created before April 1, 1952, for charitable or religious purposes,

Or

(ii) The NPO was created on or after April 1, 1952, for charitable purposes, and the application of income outside India promotes international welfare in which India has an interest.

Income not to be included in Regular Income [Sec 338]

Corpus Donation Sec.338(b) aligns with the section 11(1)(d) of ITA 1961:

Corpus donations received by a registered NPO under Sec 339

The definition and treatment of Corpus Donations are provided under Sec 339 of ITA 2025.

Corpus Donation [Sec 339]

A corpus donation refers to any donation made with a specific direction from the donor that it shall form part of the corpus of the registered NPO.

Such a donation must be invested or deposited in one of the permitted modes prescribed under Sec 350 of ITA 2025 and maintained specifically for such corpus.

Deemed Corpus Donation [Sec 340]

Corresponding Provision: Explanation 3A to section 11(1) of ITA 1961.

Where the property of a registered NPO includes any temple, mosque, gurdwara, church, or any other place notified under Sec 133(1)(b)(vi) of the ITA 2025, any donation received by such NPO specifically for the renovation or repair of such religious place may, at its option, be deemed as forming part of the corpus under Sec 339 of the ITA 2025, provided the following conditions are met:

- (a) Maintains such corpus as a separate identifiable fund;
- (b) The corpus is applied exclusively for the purpose for which the donation was made;
- (c) The corpus is invested or deposited in one of the permitted modes under Sec 350 of ITA 2025; and
- (d) The corpus is not utilised for making donations to any other person.

Application of Income [Sec 341]

Corresponding Provision: Explanation 2,3,4,5 to section 11(1), Section 11(6) and Explanation to Section 11(7) of ITA 1961

- The income must be applied exclusively for charitable or religious purposes in India and align with the objectives for which the NPO is registered.
- The expenditure must be incurred on a payment basis during the relevant tax year.
- TDS compliance and cash payment restrictions [Payments must comply with the limitations prescribed under Sec 36(4), (5), (6), (7), and Sec 35(b)(i) of the ITA.]
- Only 85% of donations made to another registered NPO qualify as an application of income.
- Corpus donations to another registered NPO are not considered an application of income.
- 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 IT Act 1961 (43 of 1961) with respect to such application.
- Repayment of loans qualifies as an application of income if the repayment occurs within five years from the end of the tax year in which the loan was utilized [loan was originally applied post-March 31, 2021]

Application of Income [Sec 341]

- **Depreciation and double deduction:** Depreciation is not allowable as an application of income if the asset's acquisition cost was previously claimed as an application.
- **Set-off or carry-forward of excess application:** No set-off, deduction, or allowance for excess application of income from previous years is permitted.
- The amount applied out of the following shall not be considered as an application of income:
 - Corpus.
 - Loans or borrowings.
 - Accumulated income.
 - Specified income.
 - Deemed accumulated income.

No Deemed Application

Omission of Provision similar to Explanation 2 to Section 11(1) (Deemed Application of Income):

- According to *Explanation 2* to section 11(1) of the ITA 1961 provides that if in the previous year, a charitable trust is not able to utilise 85 per cent of its income due to the fact that such income has not been received in the previous year or for any other reason, then the trust has the option to apply such income in the year of receipt or in the year, immediately following the year of accrual of income.
- Such deemed application of income shall be considered when the institution furnishes the details electronically in Form 9A.
- No corresponding provision has been proposed in the ITA 2025.

No Capital Gains Exemption

Omission of Provision similar to Section 11(1A) (Capital Gains Exemption on Reinvestment):

- Section 11(1A) of the ITA 1961 contains the special provisions where a property held under trust is transferred, and consideration is utilised for acquiring another capital asset; the capital gain arising from the transfer is deemed to have been applied for charitable or religious purposes.
- The application of income, in such a case, shall be calculated in the prescribed manner.
- However, no corresponding special provision has been proposed in the ITA 2025.

Accumulation of Income [Sec 342]

Corresponding Provision: Section 11(2) of ITA 1961

Sec 342 of the ITA provides a legal framework for the accumulation of income by registered NPOs:

- Registered NPO can accumulate income for a specified purpose, subject to the submission of a statement to the Assessing Officer on or before the due date prescribed under Sec 263(1) of ITA 2025.
- Any income transferred to another registered NPO out of accumulated income shall not be considered an application of income.
- Accumulation can be for a period upto five years.
- Accumulated income to be invested in modes prescribed under Sec 350 of ITA 2025.
- NPOs can apply to the Assessing Officer to change the purpose of accumulated income.
- Transfer of accumulated income to another registered NPO upon dissolution, subject to the approval of the Assessing Officer.

Accumulation of Income [Sec 342]

Due Date to file Statement of Accumulation:

- Sec 342(1) of ITA 2025 requires that the statement of accumulation be filed on or before the due date for filing the Income Tax Return under Sec 263(1) of ITA 2025.
- Section 11(2) of ITA 1961 mandates that Form 10 be filed at least two months before the due date under section 139(1) of ITA 1961.

Deemed Accumulated Income [Sec 343]

- The regular income, after deducting the income applied and accumulated under Sec 342 of ITA 2025, shall be deemed to be accumulated income to the extent of 15% of the regular income.
- This deemed accumulation shall be mandatorily invested or deposited in any of the prescribed modes under Sec 350 of ITA 2025.
- The deemed accumulated income under this section shall not be considered as accumulated income for the purpose of Sec.342 of ITA 2025.

Business Undertaking held as Property [Sec 344]

Corresponding Provision: Similar to Section 11(4) of the ITA 1961

Sec 344 of the ITA 2025 provides that where a registered NPO holds a business undertaking as part of its property and claims that the income derived from such an undertaking is eligible for tax benefits under this Part, the Assessing Officer shall have the authority to determine the income of the business undertaking in accordance with the provisions of this Act.

Restriction on Commercial Activities by Registered NPO [Sec 345]

Corresponding Provision: Similar to Section 11(4A) of the ITA 1961

NPOs other than GPU may carry out commercial activities only if:

- (a) Such commercial activity is incidental to the attainment of the organisation's objectives; and
- (b) Separate books of account are maintained for such activities.

Restriction on Commercial Activities by Registered NPO

[Sec 345]

- The primary distinction between Sec 345 and section 11(4A) of ITA 1961 is the introduction of categorical restrictions on NPOs engaged in specific charitable activities.
- Sec 345 provides that the NPO, other than GPU category NPO, can not engage in commercial activities. Therefore, as per Sec 345, registered NPOs engaged in the relief of the poor, education, yoga, medical relief, preservation of the environment (including watersheds, forests and wildlife), preservation of monuments, places, or objects of artistic or historic interest are prohibited from engaging in commercial activities except where such activities are incidental to the attainment of their objectives and separate books of account are maintained.

Restriction on Commercial Activities by GPU NPO

[Sec 346]

Sec 346 imposes specific restrictions on registered NPOs engaged in the advancement of any other object of general public utility (GPU) concerning their ability to conduct commercial activities. Such NPOs may only undertake commercial activities if the following conditions are met:

- (a) The commercial activity is undertaken in the course of actual advancement of the general public utility objective of the registered NPO.
- (b) The aggregate receipts from such commercial activity do not exceed 20% of the total receipts of the registered NPO for the relevant tax year.
- (c) Separate books of account are maintained by the registered NPO for such commercial activities.

Restriction on Commercial Activities by GPU NPO

[Sec 346]

- The key difference between Sec 346 and proviso to section 2(15) of ITA 1961 is that the proviso to section 2(15) did not require NPOs to maintain separate books of account for commercial activities.
- Sec 346 now mandates that separate books of account must be maintained for such activities.

5. Compliances of Non-Profit Organisations

Books of Accounts [Sec 347]

Corresponding Provision:Section 12A(1)(b)(i) of ITA 1961

If the total income of a registered NPO exceeds the maximum amount not chargeable to income tax in any tax year, such NPO shall be required to keep and maintain books of account and other documents in the prescribed form, manner, and location, as specified by the relevant rules.

Audit [Sec 348]

- **Corresponding Provision:Section 12A(1)(b)(ii) of ITA 1961**
- If the total income of a registered NPO exceeds the maximum amount not chargeable to income tax in any tax year, the accounts of such NPO must be audited by an accountant. “Accountant means a chartered accountant as defined in section 2(1)(b) of the Chartered Accountants Act, 1949, who holds a valid certificate of practice under section 6(1) of that act.
- The person receiving the income shall be required to furnish an audit report by such date in the prescribed form, duly signed and verified by the accountant, setting forth such particulars as may be prescribed.

Return of Income [Sec 349]

Corresponding Provision: Section 12A(1)(ba) of the ITA 1961

If the total income of a registered NPO exceeds the maximum amount not chargeable to income tax in any tax year, it shall be required to furnish a return of income for that tax year in accordance with the provisions of Sec 263(1)(a)(iii) and (2), within the prescribed time limit allowed under Sec 263(1)(c).

Return of Income [Sec 349]

- Under ITA 1961, exemption under this chapter was available only if the return of income was filed within the time allowed for filing the original return under section 139(1) or the belated return under section 139(4).
- However, under ITA 2025, there is no reference to the belated return under Sec 263(4) of ITA .
- As a result, exemption can now only be claimed if the income tax return is filed within the original due date prescribed under Sec 263(1)(b) of ITA 2025.

Permitted Modes of Investment [Sec 350]

- **Corresponding Provision: Section 11(5) of the ITA 1961**
- Sec 350(1) of the ITA 2025 provides that the modes of investment or deposit of funds under this Part shall be as specified in Schedule XVI.
- Few important Additions: Public sector Company (Sch XVI(1)(25), Contribution received in jewellery, furniture or any other articles (Sch XVI(1)(30))
- Further, Sec 350(2) provides that in addition to the modes specified in Schedule XVI, the Central Government may, by notification, prescribe other permitted modes of investment or deposit under this Part.

Permitted Modes of Investment [Sec 350]

- The permissible investment modes are not explicitly stated within the Section itself but are now prescribed separately under Schedule XVI.
- Furthermore, under Sec 350(2), the CBDT has been empowered to specify additional investment or deposit modes by notification, apart from those already listed in Schedule XVI.

Specified Violation [Sec 351]

Corresponding Provision: Section 12AB(4) and 12AB(5) of the ITA 1961

Circumstances leading to the cancellation of registration:

The registration of a NPO may be cancelled if:

- (a) The PCIT/CIT identifies the occurrence of one or more specified violations;
- (b) A reference is received from the Assessing Officer under Sec 270(13) for any tax year; or
- (c) The organisation is selected based on the risk management strategy formulated by the Board.

Specified Violation [Sec 351]

Definition of Specified Violation:

A “specified violation” under section 347 includes the following instances:

- (a) Application of income for purposes other than the organisation’s objects;
- (b) Engagement in commercial activities contrary to Sec 345 or 346 provisions;
- (c) Utilisation of income for private religious purposes that do not benefit the public;
- (d) Allocation of funds for the benefit of a specific religious community or caste, except for Scheduled Castes, Scheduled Tribes, backward classes, women and children;
- (e) Conduct of activities that are not genuine or not in compliance with the conditions of registration;
- (f) Non-compliance with Sec 332(7), where a legally binding order confirming such non-compliance has been issued and attained finality;
- (g) Submission of false or incorrect information in the registration application under Sec 332(1).

Specified Violation [Sec 351]

The procedural framework for cancellation under Sec 351 involves:

Inquiry & documentation: The PCIT/CIT may request documents or conduct an inquiry to ascertain the occurrence of a specified violation.

Issuance of order: Based on findings, the PCIT/CIT may:

- Cancel the registration, after affording a reasonable opportunity of being heard, for the tax year in which the violation occurred and all subsequent tax years;
- Decline to cancel the registration if not satisfied that a violation has occurred.

Communication of decision: The order is forwarded to both the Assessing Officer and the affected non-profit organisation.

Specified Violation [Sec 351]

Time-limit for issuance of order:

The cancellation order, or an order refusing to cancel the registration, must be issued within six months from the end of the quarter in which the first notice was issued by the PCIT/CIT.

Tax on Accreted Income [Sec 352]

Chapter XII-EB, titled “Special Provisions Relating to Tax on Accreted Income of Certain Trusts & Institutions” of the ITA 1961. This chapter encompasses sections 115TD, 115TE, and 115TF, which governed the taxation of “accreted income” for entities registered under section 12AA/12AB or approved under section 10(23C)(iv), (v), (vi), or (via) of the Act in specified circumstances.

$$A = B - C$$

A= Accreted Income

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

Tax on Accreted Income [Sec 352]

These provisions are proposed to be consolidated into a single provision under Sec 352.

There are no changes to the circumstances under which accreted tax is levied, the method of computing accreted income, the time limit for payment, or the applicable tax rate. However, the specified situations are now presented in a tabular format for clarity.

Other Violation [Sec 353]

Corresponding Provision: Section 13(10) and 13(11) of the ITA 1961

Sec 353 applies to registered NPOs that fail to comply with specific statutory obligations, including:

- (a) Maintaining books of account (Sec 347)
- (b) Conducting audits (Sec 348)
- (c) Furnishing income tax returns (Sec 349)
- (d) Engaging in commercial activities in violation of Sec 346)

If an NPO breaches any of the above requirements, its regular income for the tax year, subject to expenditures specified in Sec 353(3), becomes taxable regular income under Sec 334 of ITA.

Other Violation [Sec 353]

Computation of allowable expenditure:

The law allows deduction of expenditures while computing taxable income, but subject to strict conditions:

- The expenditure must be incurred in India.
- The expenditure must directly relate to the objects of the NPO.
- No deduction for expenditure from corpus funds (i.e., accumulated funds of previous years).
- No deduction for expenditure out of loan or borrowing.
- Depreciation is disallowed if the asset acquisition was claimed as an application of income in any tax year.
- No deduction for contributions or donations made by the NPO to other entities.
- Payments violating Sec 36(4), (5), (6) and (7) shall not be deductible [Cash Expenses in excess of prescribed limit].
- Tax must be deducted at source (TDS) on payments, as per Sec 35(b)(i).
- No other deductions, set-offs, or allowances shall be permitted.

Approval for deduction under Sec 133(1)(b)(ii) [Sec 354]

Corresponding Provision:

Section 80G(5) of ITA

Approval for deduction under Sec 133(1)(b)(ii) [Sec 354]

- Section 80G of the ITA governs deductions for donations made to specified funds and institutions, including those covered under Section 80G(2)(a)(iv). Under Section 80G(5), these deductions applied only to donations made to institutions or funds established in India for charitable purposes, provided they met the specified conditions.
- The deduction provisions of Section 80G have now been replaced by Sec 133 of the ITA 2025, while the approval process under Section 80G(5) has been shifted to Sec 354 of the ITA 2025.
- Other aspects, such as the time limits for application, conditions, and processes, remain largely unchanged under the new provision.

Interpretation [Sec 355]

Sec 355 of ITA 2025 provides definitions for various terms used within this Part. There is no specific section in the ITA compiling the meanings of these terms; instead, they are defined within the respective provisions.

Interpretation [Sec 355]

The following definitions are given under the Sec :

- Anonymous Donation
- Approval
- Cancellation
- Donation
- Commercial Activity
- Registration
- Registered NPO

Interpretation [Sec 355]

- Related Person
- Relative
- Residual Income
- Specified Asset
- Specified Person
- Specified Provision
- Substantial Interest
- Value
- Wholly for charitable or religious purposes

INCOME TAX RULES 2026 & FORMS

RULES 181 -190

FORMS 104-113

RULE NO.	DESCRIPTION	EARLIER FORM	NEW FORM	RELEVENT SEC.
Rule No. 181	Application for provisional registration	Form 10A	Form No. 104	Sec 332 and Sec 354
	Application for registration	Form 10AB	Form No. 105	Sec 332 and Sec 354
	Approval of Provisional Registration	Form 10AC	Form No. 106	Sec 332 and Sec 354
	Approval / Denial of Registration	Form 10AD	Form No. 107	Sec 332 and Sec 354
Rule No. 182	Manner of computation of gains of commercial activities			Sec 344,345,346 and 355(e)
Rule No. 183	Manner of computation of any portion of income applied directly or indirectly for the benefit of any related person			Sec 337

RULE NO.	DESCRIPTION	EARLIER FORM	NEW FORM	RELEVENT SEC.
Rule No. 184	Deemed Application	Form 9A	Form No. 108	Sec 341(7)
Rule No. 185	Accumulation/ Set apart of Income	Form 10	Form No. 109	Sec 342(1)
Rule No. 186	Application for change of purpose of accumulation of income		Form No. 110	Sec.342(5)
	Order for change of purpose of accumulation of income		Form No. 111	Sec.342(6)
Rule No. 187	Books of accounts and other documents to be kept and maintained			Sec.347
Rule No. 188	Audit Report	Form 10B/ 10BB	Form No. 112	Sec 348
Rule No. 189	Method of valuation for Accreted Income			Sec.352
Rule No. 190	Furnishing of statement of particulars in respect of donation and certificate to the donor	Form 10BD	Form NO. 113	Sec 354

DARPAN

NGO Darpan Portal (commonly called DARPAN) is an online platform created by the NITI Aayog, Government of India, to connect NGOs and Voluntary Organizations (VOs) with various government ministries and departments.

DARPAN stands for “Development Assistance and Research Portal for NGOs. Its purpose is to maintain a centralized database of NGOs/VOs in India and improve transparency and coordination between the government and the voluntary sector.

Importance

Helps the government identify credible NGOs.

Makes it easier for NGOs to apply for grants and partnerships.

Promotes transparent governance in the voluntary sector.

DARPAN & PREVENTION OF MONEY LAUNDERING ACT (PMLA)

According to the amended rules:

Banks and financial institutions must record and verify NGO clients.

If the client is an NGO, the bank must ensure that the NGO is registered on the NGO Darpan portal of NITI Aayog.

The registration record must be kept for at least 5 years after the account relationship ends.



THANK YOU

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