

Recent Amendment and Mandatory Compliance relating to Trusts

31.08.2020



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Key Highlights

- Under the Income Tax Act 1961, all the existing charitable and religious institutions (Trusts) are registered/approved under the following sections:
 - a) Section 10(23C)
 - b) Section 12A (prior to 1996)
 - c) Section 12AA (registered after 1996)
 - d) Section 80G
- Finance Act 2020 has brought in major changes for Trusts by introducing new section 12AB replacing section 12AA and bringing in similar amendments in section 10(23C) and Section 80G. These changes shall be applicable with effect from 1st Oct 2020 (Extended vide Press Release Dated 09.05.2020).
- Now the process of registration and approvals of Trusts shall be completely electronic under which a unique registration number (URN) shall be issued to all new and existing Trusts.
- All the trusts or institutions which have already been granted registration/approval under section 12A/12AA/10(23C)/80G are required to make a new application under the new section 12AB or amended provisions of section 10(23C) or 80G within 3 months from the effective date 01.10.2020 **i.e., within 31st December 2020**. On receipt of application, the concerned Principal Commissioner or Commissioner shall grant the registration/approval without any enquiries within 3 months from the end of the months in which application is received by Commissioner.
- It is worthwhile to note that registration granted above shall now be valid only for 5 years and after expiry of every 5 years, the trust needs to again make application for renewal of its registration/approval at least 6 months prior to the expiry date for which registration was previously granted.
- Finance Act 2020 also introduced the concept of provisional registration for new Trust which are yet to start their charitable activities. In this case, the application for provisional registration has to be filed at least 1 month before the commencement of the previous year relevant to the assessment year from which the registration is sought and, in such case, the registration/approval shall be granted for 3 years without any enquiries.
- It is worthwhile to note that Trusts provisionally registered above shall be required to convert their provisional registration into normal registration at least 6 months before the expiry of the period of the provisional registration or within 6 months of commencement of its activities, whichever is earlier.
- Finance Act 2020 also mandates that Trust which has adopted or undertaken modifications of the objects in a manner not conforming to the conditions of registration shall make an application within 30 days from the date of said adoption or modification.



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