Special Provisions for Registered Non-Profit Organizations (RNPO).

-Decoding in Terms of Income Tax Act 2025 & Income Tax Rules 2026.

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Legal Reforms in India (2014–2026)

Overview of major legal transformations

- 1,550–1,600 laws repealed - One of the largest legal clean-ups.
- Criminal Law Overhaul- Colonial-era laws replaced by:

Indian Penal Code, 1860 (IPC) - Bharatiya Nyaya Sanhita, 2023

Code of Criminal Procedure, 1973 (CrPC) Bharatiya Nagarik Suraksha Sanhita, 2023

Indian Evidence Act, 1872 Bharatiya Sakshya Adhiniyam, 2023.

- **Labour Law Reforms**

  29 laws merged into 4 Codes from 21st November 2025,

  The Code on Wages, 2019,

  The Industrial Relations Code, 2020,

  The Code on Social Security, 2020 and

  The Occupational Safety, Health and Working Conditions Code, 2020

  The Health Security se National Security Cess Bill, 2025

  Twin Purposes: Prioritizing National Security & Public Health

  The amount of Cess Collection will be credited to Consolidated Fund of India, for public health & National Security.

And Now

Income-tax Act, 1961 replaced New Income Tax Act, 2025

Member of the Drafting Committee

Shri Vipul Agarwal, IRS, the then Commissioner of Income Tax (Exemptions), He is an officer of the Indian Revenue Service (Income Tax), 2005 batch, with over 19 years of experience across multiple verticals. He has wide experience in exemption charges and was a member of the Drafting Committee of the Income Tax Bill, 2025, particularly for the chapter relating to non-profit organisations.

Registered Non-Profit Organisation (RNPO)

Existing Act used multiple terms

New Bill introduces uniform term:

"Registered Non-Profit Organisation (RNPO)"

Scattered Provisions – Existing Act

Definitions, exemptions, violations & tax spread across Act

Caused confusion and compliance difficulty

Numerous provisos & explanations

Section 11 highly complex. Section 11 alone contains 13 explanations

and 16 provisos

Small NPOs faced compliance risks

Objective of New Act

- Consolidation
- Clarity
- Ease of compliance
- Reduced litigation
- Single Chapter for RNPOs
- All provisions placed in Chapter XVII-B
- Logical and structured drafting
- Simplification Measures
- Clear concept of specified income
- All applicable rules at one place

Special provisions for Registered Non-Profit Organization- Chapter XVII-PART B

Section 332 to Section 355 (Seven Parts)

1. Registration Section 332: Previous Section 11, 12A, 12AB, 80G

   Section 333 Switching over of regimes.

2. Income of registered non-profit organization: Previous Section - 11, 12, 13,115BBC, 115BBI

   Section 334 Tax on income of registered non-profit organisation

   Section 335 Regular income

   Section 336 Taxable regular income

   Section 337 Specified income.

Sl. No.	Specified income	Tax year

   Section 338 Income not to be included in regular income

   Section 339 Corpus donation

   Section 340 Deemed corpus donation

   Section 341 Application of income

   Section 342 Accumulated income

   Section 343 Deemed accumulated income

Part 3. Commercial activities by registered non-profit organization: Previous Section - 2(15) and 11.

- Section 344 Business undertaking held as property
- Section 345 Restriction on commercial activities by a registered non-profit organisation
- Section 346 Restriction on commercial activities by registered non-profit organisation, carrying out advancement of any other object of general public utility

4. Compliances: Previous Section 11, 12A and 139

Section 347 Books of account

Section 348 Audit

Section 349 Return of income

Section 350 Permitted modes of investment

5. Violations: Previous Section 12AB,12AC, 13,115BBI,115TD to 115TF

Section 351 Specified violation

Sl. No.	Case	Specified date	Due date for the payment of tax on accreted income

Section 352 Tax on accreted income

Section 353 Other violations

6. Approval for purpose of deduction under section **133(1)(b)(ii):** Previous Section 80G

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

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

7. Interpretation: Previous Section 2(15), 11, 12, 13,115BBC,115TD to 115TF

Section 355 Interpretation.

Definitions of the various terms/words used in these sections.

Applicability of these Provisions:

- 1. Public trust
- 2. society registered under the Societies Registration Act, 1860
- 3. . A company registered under section 8 of the Companies Act, 2013
- 4. A University established by law or any other educational institution affiliated thereto or recognized by the Government
- 5. An institution financed wholly or in part by the Government or a local authority.
- 6. Any person as referred to in Schedule III [Table: Sl. No. 27 to 29 and 36] and in Schedule VII [Table: Sl. No. 10 to 19 and 42]
- 7. Any person notified by the Board under section 332(1)(g).
- 8. A registered non-profit organisation or a person referred to in Schedule VII [Table: Sl. No. 1] i.e. any regimental fund or non-public fund established by the armed forces of the Union.
- 9. Specified Investor Protection Fund

- **10.** Specified body or authority or Board or Trust or Commission.
- **11.** Specified fund or foundation or kosh.
- **12.** Specified university, hospital or other institution.
- **13.** Any Investor Protection Fund set up by recognized stock exchanges in India, either jointly or separately.
- **14.** Any Investor Protection Fund set up by commodity exchanges in India, either jointly or separately.
- **15.** Any Investor Protection Fund set up as per the regulations by a depository.
- **16.** 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)
- 17. 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 house accommodation;

(b) Planning, development or improvement of cities, towns and villages;

c) Regulating or developing any activity for the benefit of the general public; or

(d) Regulating any matter for the benefit of the general public, arising out the object for which it has been created

- **18.** The Prime Minister's National Relief Fund or the Prime Minister's Citizen Assistance and Relief in Emergency Situations Fund (PM CARES FUND)
- **19.** The Prime Minister's Fund (Promotion of Folk Art).
- **20.** The Prime Minister's Aid to Students Fund.
- **21.** The National Foundation for Communal Harmony.
- **22.** The Swachh Bharat Kosh, set up by the Central Government.
- **23.** The Clean Ganga Fund set up by the Central Government.
- **24.** 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).
- **25.** Any University or other educational institution wholly or substantially financed by the Government.
- **26.** Any hospital or other institution wholly or substantially financed by the Government.
- **27.** Any University or other educational Institution whose aggregate annual receipts does not exceed five crore rupees.
- **28.** Any hospital or other institution whose aggregate annual receipts does not exceed five crore rupees.

Taxation of Non -Profit Organizations: Special Provisions for registered non-profit organization

Registration Section 332: Previous Section 11, 12A, 12AB, 80G

Section 332 (3) Every application in respect of the cases specified in column B of Table b shall be made to the Principal Commissioner or Commissioner within the time provided in column C of Table, who shall, follow the procedure and shall pass an order within the time specified in column D of Table, and registration, if granted, shall be valid for a period specified in column E.

A – SL NO

B - -CASE

C – TIME LIMIT FOR FURNISING APPLICATION

D - TIME LIMIT FOR PASSING ORDER

E - -VALAIDITY OF REGISTRATION

Case 1.

1.1 Where the activities of the applicant have not commenced and it has not been registered under any specified provision at any time before the making application.

1.2 At any time during the tax year beginning from which registration is sought.

1.3 One Month from the end of the month in which application is made.

1.4 Three tax years commencing from the tax year in which such application is made.

- Section 332 (8) Where an application has been made in this cases, the Principal Commissioner or Commissioner shall grant provisional registration. (CPC)
- Form No. 104 Old form 10A

Case 2.

2.1 Where the activities of the applicant have commenced and it has not been registered under any specified provision at any time before the making application.

2.2 At any time during the tax year beginning from which registration is sought.

2.3 Six months from the end of the quarter in which application is made.

2.4 Five tax years commencing from the tax year in which such application is made.

Form 105 Previous Form No. 10AB

Case 3.

3.1 **Where the applicant has been granted provisional registration and activities have commenced.**

3.2 Within six months of the commencement of activities.

3.3 Six months from the end of the quarter in which application is made.

3.4 Five tax years commencing from the tax year in which such application is made.

Form 105 Previous Form No. 10AB

Case 4.

4.1 Where the provisional registration of the applicant is due to expire and activities have not commenced.

4.2 At least six months prior to the expiry of the provisional registration .

4.3 Six months from the end of the quarter in which application is made.

4.4 Five tax years following the tax year in which such application is made

Form 105 Previous Form No. 10AB

Case 5.

5.1 Where the registration of the applicant is due to expire, other than cases mentioned at serial number 4.

5.2 At least six months prior to the expiry of the registration .

5.3 Six months from the end of the quarter in which application is made.

5.4 Five tax years following the tax year in which such application is made.

Form 105 Previous Form No. 10AB

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Case 6.

6.1 Where the registration of the applicant has become inoperative due to switching over of regime under section 333.

6.2 At any time during the tax year beginning from which registration is sought to be made operative.

6.3 Six months from the end of the quarter in which application is made.

6.4 Five tax years commencing the tax year in which such application is made.

Case 7.

7.1 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.

7.2 Within thirty days of the date of such adoption or modification.

7.3 Six months from the end of the quarter in which application is made.

7.4 Five tax years commencing from commencement of the tax year in which such application is made

- Section 332 (5)

In case the application of registration 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 validity of registration be 10 years instead of 5 years.

Rule 181(12)

Where an order in Form No. 107 has been issued by rejecting the application or cancelling the registration or approval or both, the applicant may re-apply in Form No. 105 within one month from the end of the month in which said order is passed, if the following conditions are satisfied :

(*a*) such rejection or cancellation is on account of………..

(*b*) the applicant has provided the reasons for……

(*c*) the applicant gives an undertaking that he……..

Rule 181 (13) The applicant shall be allowed only one time opportunity to re-apply under sub-rule (12).

Rule 181(14) The re-application made under sub-rule (12), shall be considered to be a fresh application.

Rule 181 (15) Where the applicant notices that the application was made entering erroneous section code or erroneous nature of a) may furnish a request for correction before passing the order b) on receipt of such request, the commissioner may allow such correction.

Relevant Forms:

Form No. 104 Common Application form

From No. 105 Common Application form

Form No. 106 Order for provisional registration under section 332 or provisional approval under section 354 Rejection of application.

Form No. 107 Order for grant of registration under section 332 or approval under section 354 or rejection of application or cancellation of registration or approval granted.

Indian Institute of Model Education Society v. Commissioner of Income-tax - [2026] 185 taxmann.com 702 (Chandigarh - Trib.)

Issue of violation of section 13 to be examined by Assessing Officer at assessment stage, not at registration stage, and thus CIT(E) was not justified in withholding registration based on alleged section 13 contravention.

Pista Devi Education Society v. Commissioner of Income-tax (Exemptions) - [2026] 185 taxmann.com 691 (Delhi - Trib.)

Where assessee-society running a school applied for registration under section 12AB and Commissioner (Exemptions) denied same citing transactions with specified persons, since section 13 is not applicable at stage of registration and there was no finding that objects were non-charitable or activities were non-genuine, denial of registration was unjustified and registration was to be granted

Chamber of Tax Consultants Vs CIT (Exemptions)-Bombay High Court : Bombay Chartered Accountant's Society-Gaur Brahmin Samaj etc. -48 Page Judgment-

1. No Irrevocability Clause Required for Sec 12AB Registration

2. Form 10AB issue:

System forces "Yes" – cannot penalise assessee

Treating it as false information is arbitrary

Prinish Foundation vs CIT (Exemptions), Chandigarh. ITA No.4360/Del/2025 (ASSESSMENT YEAR 2025-26)

Since, undisputedly the objects of the assessee society are charitable in nature, therefore, we find no reason for Ld. CIT(E) to reject the application for registration Accordingly, we hereby allowed the registration u/s 12AB of the Act. In case, the Assessing Officer at later stage find the activities are not carried as per objects of the society and found the same has non charitable in nature, he has free to take necessary action in accordance with law.

ILLA Rajesh Foundation v. CIT(E)

ITA Nos. 4489 & 4490/Mum/2026, dt. 15-05-2026

Commissioner has no power to impose contingent or precautionary conditions while granting registration-Conditional registration granted subject to outcome of proposed SLP before Supreme Court is beyond jurisdiction and liable to be vacated-Once jurisdictional High Court decision holds the field, authorities are bound to follow the same. [S. 12AB(4), 12AB(5), 80G, Rule 17A

C-Dot Forum v. CIT (Exemptions) Chandigarh - [2026] 183 taxmann.com 89 (Amritsar - Trib.)

Where assessee-trust was mainly engaged in organising various seminars, conferences and events for doctors which were funded by pharmaceutical companies and huge expenses were incurred for organising such events which were held at luxurious hotels with full hospitality and entertainment by professional singers and on other hand, only a small amount of funds was used for providing free medicines to diabetic children, Commissioner (Exemptions) was justified in refusing application of assessee-society for registration under section 12A

KVG Memorial Trust v. Commissioner of Income-tax (Exemptions) - [2026] 185 taxmann.com 1022 (Bangalore - Trib.)

Where assessee-trust engaged in educational activities sought permanent registration under section 12AB and approval under section 80G, but CIT(E) rejected applications solely on JAO's report without independent application of mind or granting a personal hearing, rejection was improper and order was liable to be set aside for fresh consideration of facts and investment in lands.

Breach Candy Hospital Trust v. Assistant Commissioner of Income-tax (Exemption) - [2026] 185 taxmann.com 1010 (Mumbai - Trib.)

Where assessee- trust's exemption approval under section 10(23C) was under writ challenge and interim orders mandated assessment on basis of deemed approval, but Assessing Officer and appellate authority failed to follow those directions, disposition of appeal without considering writ pendency and interim relief was improper and matter was required to await final writ outcome

Part 2. Section 334 Income of registered non-profit organization: Previous Section - 11, 12, 13,115BBC, 115BBI, Section 164(2), Section 115TD

Section 334 Tax on income of registered non-profit organisation

- 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.

Section 336 Taxable Regular Income

NIL- if 85% of income applied Taxable regular income means the portion of regular income of the NPO which remains taxable after allowing permitted deductions, application of income and permitted accumulation.

Total Regular Income- Amount applied for charitable purposes- Permitted accumulations (if allowed)

Regular Income.

Section -335. Regular income of any tax year of a registered non-profit organization means

- 1. Income from any charitable or religious activity, for which such nonprofit organization is registered, carried out by it in such tax year;
- 2. Income derived from any property, deposit or investment held wholly for charitable or religious purposes
- 3.Income derived from any property, deposit or investment held in part for charitable and religious purposes by such registered non-profit organizations as referred in section 332(2)(b)(ii) in such tax year;
- 4. Voluntary contributions received by such registered non-profit organization in such tax year; and
- 5. Gains of any commercial activity permissible under sections 344, 345 and 346, carried out by such registered non-profit organization in such tax year, computed in such manner, as may be prescribed.

Section 337- Specified Income: The intent behind Section 337 is to tighten governance around tax-exempt charitable entities — ensuring that exemption benefits are not misused and that any “tainted” or misapplied income is **taxed separately,** even if the organization **otherwise qualifies for exemption.**
The specified income of a registered non-profit organization 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

Specified income

- **Anonymous donations** exceeding prescribed limit of Rs.1,00,000/- or 5% of the total donation whichever is higher , **with only limited exemptions.**
- **Amounts applied for the benefit of related persons**, such as trustees or connected individuals.
- **Overseas application of funds** that violates the permitted use rules.
- **Investments or deposits** made contrary to the investment restrictions applicable to NPOs.
- **Corpus or accumulated funds** used for purposes other than those approved or permitted by law.
- **Profits of a business undertaking** assessed in excess of what is recorded in its books (unexplained or inflated income).

These categories are subject to a **special tax rate of 30%** ensuring that income misapplied, misused, or earned outside the legitimate charitable purpose is taxed.

Section 339- Corpus Donation

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.

Deemed Corpus Donation

Section 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, subject to certain conditions…

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In the case of Chandraprabhu Jain vs. Assistant Commissioner of Income Tax I.T.A. No. 230/Mum/2016, order dated 12 -08-2016 reaffirmed that corpus donations cannot be taxed even if the Trust is not registered under section 12AA.

Interest Income on Corpus Fund

In the case Commissioner of Income-Tax. (Exemption), Kochi vs. Mata Amrithanandamayi Math Amritapuri [2018] 94 taxmann.com 82 (SC) the Supreme Court of India held that where assessee received corpus donation on which it earned interest, in view of specific direction of donors that said interest would also form part of corpus, assessee's claim for exemption under section 11 in respect of interest so earned was to be allowed.

Shree Sant Bhojaji Maharaj Deosthan v. Income-tax Officer(Exemption) - [2026] 185 taxmann.com 865 (Nagpur - Trib.)

Where assessee-trust, not registered under section 12AA for relevant year, received voluntary contributions claimed as corpus donations from devotees, credited same to Corpus Fund Account and used entire amount for construction of a community hall, such receipts constituted capital receipts not chargeable to tax even in absence of registration under section 12AA

Section 341- Application of Income

Section 341(1)(a)

any sum, applied for charitable or religious purpose in India for which it is registered where such sum is **paid during the tax year**.

What is treated as Application (only the Actual payments during the tax year and not the bills payable)

The following are considered application of income:

- Expenses on charitable or religious activities.
- Capital expenditure for charitable purposes.
- Donation to another registered NPO (only 85% counted).
- Repayment of loan taken earlier for charitable purposes.

Deputy Commissioner of Income-tax (Exemption) v. All India Gem and Jewellery Domestic Council - [2026] 182 taxmann.com 267 (Mumbai - Trib.)

Where assessee was engaged in promotion and development of Gems and Jewellery industry in India, since object and activity of assessee was already approved by CIT (Exemption) and then certificate under section 12A had been granted which was subsisting, assessee was to be allowed exemption under section 11.

National Academy of Agricultural Sciences v. Income-tax Officer - [2026] 187 taxmann.com 522 (Delhi - Trib.)

Where assessee- society registered under Societies Registration Act and section 12A earned receipts by providing conference and auditorium facilities with various amenities, such receipts were not incidental to its charitable objects and constituted business income under section 11(4A), thus exemption was not allowable on these receipts.

Accumulation of Income/Deemed application

Section 341(5) Where, in a tax year, the regular income applied by a RNPO is less than 85% of regular income, the shortfall, at the option of, may be treated as deemed application.

Section 341 (6) : Any deemed application under sub-section (5) shall be applied by the RNPO 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.

Section 342- (1) A RNPO may accumulate or set apart any part of its regular income during any tax year by furnishing a statement to the Assessing Officer on or before the due date 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. Subject to following:

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

Accumulated income…….

(3) The period pursuant to an order or injunction of any court, shall be excluded from the said period of five years.

(4) Investment should be in modes permitted under section 350, or applied for the purposes as stated in the prescribed form referred to in sub-section (1).

(5) for the change of purpose make an application to the Assessing Officer, in such form and manner, as may be prescribed.

(6) The Assessing Officer may, allow the RNPO to apply its income for such other charitable or religious purposes in India which are in conformity with its objects.

7) **Where a RNPO is dissolved, the Assessing Officer may, on an application made in such form and manner, as may be prescribed, allow application of such income to be made to any other RNPO for the year in which it is dissolved.**

FORM NO. 108 for the reason mentioned in Section 341(5)

Exercise of option under section 341(7) in respect of amount applied for charitable or religious purposes.(if application is less than 85%. To utilise in immediately succeeding such tax year.

FORM NO. 109 Statement of accumulation or setting apart of income under section 342(1). Previous form 10 (Specified purpose) (Time Limit 5 years)

FORM NO. 110 Application for change of purpose of accumulation or setting apart of income under section 342(5)

FORM NO. 111 Order under section 342(6) on the request for change of purpose of accumulation or setting apart of income.

Commissioner of Income-tax (Exemptions) v. Impact Foundation (India) - [2026] 186 taxmann.com 134 (Bombay)

Where assessee, a non-profit company, furnished Form No. 10, board resolutions and complete details regarding accumulation and utilization of funds under section 11(2) and Assessing Officer examined these records before accepting exemption claim under Section 11 in respect of utilization from accumulation, Commissioner (Exemptions) could not invoke section 263 merely because he held a different view on adequacy of enquiry; further, invocation of Explanation 2 to section 263 without confronting assessee in show-cause notice rendered revisional jurisdiction unsustainable

Salwan Public School, Gurgaon

Application of accumulated income and exemption under section 11(2) & 11(3)

For AY 2013-14, the trust had filed Form No. 10, accumulating Rs. 4,44,60,633 under section 11(2) for the specific purpose of constructing buildings and Salwan Public School, Tronica City and Salwan Public School, Gurgaon

Where AO taxed a portion of a trusts accumulated income under section 11(3) because it was not spent on the single, specific construction purpose mentioned in the original Form 10, but was instead spent on broader capital expenditures for education across multiple schools run by the trust, the ITAT allowed the exemption. Application of funds to any charitable purpose within the trust's objects qualifies, and a defect in the specificity of Form 10 is not disqualifying.

5. Violations: Previous Section 12AB,12AC, 13,115BBI,115TD to 115TF

- **Section 351 Specified violation**

Sl. No.	Case	Specified date	Due date for the payment of tax on accreted income

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 346; or

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

(d) 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.

Jamia Osman Bin Affan Education Society v. Income-tax Officer, Exemption - [2026] 186 taxmann.com 527 (Hyderabad - Trib.)

Where assessee-education society incurred expenditure on construction of school building and distribution of autos as part of its charitable activities, since assessee was substantially engaged in charitable activities, Assessing Officer was unjustified in invoking section 13(1)(b) merely because certain beneficiaries belonged to a particular religious community, and thus, denial of exemption under section 11 and related additions were liable to be deleted.

Commissioner of Income-tax v. Baba Gandha Singh Education Trust - [2026] 185 taxmann.com 53 (Punjab & Haryana)

Mere generation of surplus by educational trust, without any finding of non-genuine activities or deviation from objects, cannot justify cancellation of registration under section 12AA(3).

Sarakki Educational Society v. Income-tax Officer(Exemptions) - [2026] 182 taxmann.com 112 (Bangalore - Trib.)

Where assessee-trust registered under section 12AA paid professional fees to a specified person under an MOU for academic and administrative management of school, and Assessing Officer failed to establish that payments were excessive or unreasonable or conferred any undue benefit, such payments constituted valid application of income and denial of exemption under section 11 by invoking section 13 was unsustainable.

Little Pearl Charitable Society v. Principal Commissioner of Income-tax (Central)-3, Delhi - [2026] 183 taxmann.com 688 (Delhi - Trib.)

Where Pr. Commissioner cancelled registration under sections 12A/12AA and 12AB retrospectively from assessment year 2013-14 by invoking section 12AB(4), since expression “specified violation” was introduced by Finance Act, 2022 with effect from 1-4-2022 applicable only from assessment year 2023-24, impugned retrospective cancellation of registration was without jurisdiction and liable to be quashed

National Payments Corporation of India v. Commissioner of Income-tax (Exemptions) - [2026] 185 taxmann.com 275 (Mumbai - Trib.)

Where Commissioner (Exemption) cancelled registration of assessee-trust on ground of 'specified violation' and that activities of assessee were not charitable in nature, but show cause notice and cancellation order failed to specify which sub-clause was invoked, issue was to be remanded back to Commissioner (Exemption) to provide assessee one more opportunity to respond to properly specified allegations

Vanita Samaj v. Income-tax Officer (Exemption) - [2026] 185 taxmann.com 642 (Mumbai - Trib.)

Where assessee-trust registered under section 12A derived income from letting out property, royalty, and allied activities and applied such income for charitable purposes, with no finding of non-genuineness or misapplication of income, such receipts could not be treated as commercial activity merely by their nature and exemption under section 11 was allowable.

5. Violations: Previous Section 12AB,12AC, 13,115BBI,115TD to 115TF

Section 353 Other Violations

(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.**

The Hon’ble Supreme Court in the case of CIT (Exemptions) vs. M/s International Health Care Education and Research Institute reported in 482 ITR 287 (SC) has observed as under

“We may only say that mere registration under Section 12-AA automatically does not entitle any charitable trust to claim exemption under Section 10 and 11 respectively of the Act, 1961. When a return is filed by any trust claiming exemption it is for the assessing officer to look into all the materials and satisfy itself whether the exemption has been claimed genuinely or not. If the assessing officer is not convinced it is always open for him to decline grant of exemption"

4. Compliances: Previous Section 11, 12A and 139

Section 347 Books of account

Section 348 Audit

Section 349 Return of income

Total income without giving effect to the provisions of this Part, exceeds the maximum amount which is not chargeable to income-tax in any tax year, required to keep and maintain the books of account, audit and filing of return of Income and other documents in such form and manner and at such place, as may be prescribed.

FORM NO. 112 Audit report under section 348 in the case of a registered non-profit organisation (RNPO)- Now it is Single Audit report- Form 10B and Form 10BB merged. (Rule 188 of the Income Tax Rules 2026)

- **Part-B (Other information) - Small Registered NPOs- Large registered NPOs**

To qualify for Small Registered NPOs criteria of Form 112 , must satisfy **all three** of the following operational limits during the tax year:

- **Gross Income:** Total regular income must be less than or equal to **₹5 Crore**.
- **Foreign Funding:** The organization must not have received foreign contribution exceeding ₹ **1000000** during the tax year.
- **Overseas Operations:** The organization must not have applied or spent applied income exceeding ₹ **1000000** outside India during the tax year.

T.K. Raja Educational Charitable Trust v. Income-tax Officer - [2026] 186 taxmann.com 61 (Chennai - Trib.)

Where assessee-trust filed return claiming exemption under section 11 and audit report in Form 10B was submitted after filing but before return processing, denial of exemption under section 11 by CPC solely due to not filing Form 10B with return was unjustified, since report was available at assessment and no prejudice was caused to revenue.

Suga Jeeva Oozhiyangal v. Commissioner of Income-tax (Exemptions) - [2026] 185 taxmann.com 218 (Madras)

Where assessee-trust obtained registration under section 12AA but filed return and Form 10B belatedly for relevant year and was denied section 11 benefit due to delayed Form No.10B and application for condonation was rejected, such denial was unjust since substantial exemption relief could not be refused merely on procedural breach when assessee was otherwise entitled to it under law.

6. Approval for purpose of deduction under section 133(1)(b)(ii): Previous Section 80G

The existing Section 80G of the Act has been divided into two sections Section 354 (registration provisions) and Section 133 (conditions for availing deductions).

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

Prescribed Condtions :

(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

Conditions…….

(e) it prepares such statement or correction statement for rectification of any mistake or to add, delete or update the information for such period, and deliver or cause to be delivered to income-tax authority such statement in such form and verified in such manner and setting forth such particulars and within such time, as may be prescribed;

(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.

FORM NO. 113 Statement or Correction Statement to be filed by Donee under section 354(1)

FORM NO. 114 Certificate of donation under section 354(1)(*g*)

Marico Ltd. v. Deputy Commissioner of Income-tax - [2026] 185 taxmann.com 859 (Bombay)

Where assessee's claim for deduction under Section 80G was fully examined during original scrutiny assessment with specific queries, submission of details, and substantial allowance granted except minor disallowance, reopening assessment on same material based on audit party's contrary view merely amounted to impermissible review and was not permissible under Section 147, thus related notices and orders were to be quashed. -

7. Interpretation: Previous Section 2(15), 11, 12, 13,115BBC,115TD to 115TF

Definitions and interpretations serve different purposes and have distinct attributes that set them apart.

Definitions are objective, precise, and stable, providing a clear and consistent explanation of terms and concepts. They are essential for establishing a common language and ensuring effective communication.

Interpretations, on the other hand, are subjective, flexible, and evolving, offering personal insights and perspectives on the meaning of something. They allow for a deeper exploration of complex ideas and themes, adding depth and richness to our understanding of the world.

Courts first rely on the definition clause because a statutory definition is binding unless the law itself allow deviation and the Interpretation clause applied when needed.

CHAPTER III

SECTION 11- INCOMES WHICH DO NOT FORM PART OF TOTAL INCOME(.(Previous Section 10)

Section 11- 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 …………………………………….

OLD SECTION 10(23C)(iiid) replaced with

Schedule VII – PERSON EXEMPT FROM TAX

Entry No. 17

Entry No. 18

Entry No. 19

Concept of Mutuality

- Mutuality is a judicial doctrine-based on Supreme Court decisions.
- Mutuality applies to member-based mutual concerns.
- RNPO benefits depend on registration and statutory compliance.
- The two concepts are distinct and should not be conflated.
- Bank interest and investment income require independent tax analysis.

The three test to claim exempt income under the concept of Mutuality

1. Complete Identity Between Contributors and Participators.
2. Surplus Must Be Returned to the Contributors.
3. Activities Must Be Carried On for Mutual Benefit and Not for Profit.

Thank you

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