

CBDT Issues Circular Clarifying Treatment of Inter Charity Donations Exemptions

On March 6, 2024, the Central Board of Direct Taxes (CBDT), in exercise of its powers under section 119 of the Income tax act 1961, released a clarificatory circular with respect to the amendment introduced vide Finance Act 2023 regarding inter charitable trust donations.

The circular has been released to address the representations received raising the concern that whether the balance 15% of donation to other trust / institution would be taxable or is eligible for 15% accumulation since the funds would not be available having been already disbursed.

In light of the above the circular elaborates as follows:

That any eligible donation made by any institution/trust to another institution /trust under section 10(23C) or under section 12AB shall be treated as application for charitable or religious purposes only to the extent of 85% of such donation.

Additionally, it further illuminates that this remaining 15% of donations by the donor institution/trust shall not be required to be invested in the modes specified under section 11(5) as the entire has been donated to the institution/trust and accordingly stands eligible for exemption under both the regimes.

For a better understanding, the circular simplifies such treatment with the help of a numerical illustration.

Source: CBDT vide Circular No. 3, 2024 dated March 6, 2024.

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