

SHOW SOME TRUST, MADAME FM



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FROM THE DESK OF CHAIRMAN

In my earlier communication of July 2022 “Is it Overkill”, I had referred to making of complicated and tough revenue laws, which may be at times unnecessary, to curb menace of revenue leakages. This year also in the budget for 2023, in the Finance Bill, various provisions are proposed to tight the noose around taxpayers, or simply with a view to have higher tax collections. TDS/TCS provisions and provisions related to taxation of public charitable trusts have seen a lot of expansion in last few years and this year is also not an exception.

Dictionary meaning of “charity” means, '*generosity and helpfulness especially toward the needy or suffering*', and people who take time out from their businesses, family etc. and serve needy people, must be given softer treatment, rather make them to suffer and load them with unnecessary stricter compliances and complicated laws.

As a tax professional, there was always a feeling with respect to stricter compliance and complicated substantive tax laws, that the attitude of Government has always been to punish all taxpayers if they are not able to catch a handful of non-compliers. This feeling has never subsided and continues to bug the mind. I am sure many of you all will share the same feeling. It is quite possible that many charitable entities, in the guise of charity will be involved in unlawful activities, it is also necessary to govern where public money is involved, that is not deniable but making all charitable organisations suffer is not solution. In fact many a times, thinking of Government that certain transactions lead to revenue leakages may not be correct. In fact saving of tax by such institutions legitimately will in fact help use of such funds for furtherance of the charitable objects.

India is a country of charity and charitable institutions where so many social / economical / educational upliftment is carried out by such organisations and which directly or indirectly help the country to grow. It will not be wrong to say that these institutions have done, by helping needy and people with sufferings and their upliftment, what was required to be done by government.

If these institutions stand for people in their trying times, government needs to stand by such institutions for all the times. Instead, all such charitable organisations are made to suffer undue hardships resulting from mindless laws showing bureaucratic mindset of law makers.

After the presentation of the budget, representatives of around 250 public charitable trusts and non-profit institutions have demanded repeal of the some of the amendments in the Finance Bill 2023, e.g. one which proposes that that application out of corpus or a loan before April 1, 2021, shall not be allowed as application for charitable or religious purposes even when such amount is put back into corpus or the loan is repaid. It is argued that this is in order to avoid double deductions. Further, application out of corpus shall be allowed only if the amount taken from the corpus is put back into the corpus or the loan is repaid within five years from the application out of the corpus or loan. “In our opinion, it would be wrong to

assume that in every case, expenditure out of loans/borrowings before 01.04.2021 has been claimed as application of income U/s 11(1)," said Senior Advocate Firoze Andhyarujina. Another proposed amendment that the trusts discussed and wanted modifications/clarifications is that, under the Finance Bill 2023, if one charitable organisation donates money to another charitable organisation, only 85% of such donations will be considered as "application of income" for the donor charitable organisation. Recently, several experts and representatives of the charitable institutions and trusts met under the umbrella of Association for Protect of Public Trusts and Charities (APPTC) at Indian Merchants' Chamber in Mumbai to discuss the issue. They will soon approach the finance minister with a white paper and memorandum, seeking repeal or modifications in the proposed amendments. Noshir Dadrawala, CEO, Centre for Advancement of Philanthropy (CAP), said the amendments proposed are detrimental to thousands of charitable institutions across the country. "While there is a visible ease of doing business, there should also be ease of doing charity. This is the change that is needed. The charitable organisations supplement the government's efforts in the welfare and development space," said Dadrawala.

Charitable institutions have said that these amendments will prove to be a major setback for purely grant-making organisations including corporate foundations and intermediary organisations which work with implementing agencies at the grassroots level. [TOI Report]

The crux of the matter is that thrusting impractical conditions for compliances and allowing deductions under the law will result in discouraging various charitable organisations to do good work and small charities will be hit hardest. There are other ways to catch erring organisations and the government can always utilise its vigilance network for the same. It is rightly said that the recent changes in last few years have taken away ease of doing charity. The Government needs to be more trusting as far as charitable institutions are concerned as they carry out noble work which goes long way to create social harmony and overall upliftment of people. Show some trust, Madame FM.

Thank you all..... Always in Gratitude

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