
CHARITABLE TRUST

QUESTION 1:

Seva Niketan, a charitable trust registered under section 12AB runs an educational institution, which is engaged solely in education and a hospital for treatment of persons suffering from mental disorder solely for philanthropic purposes.

The trust furnished the following information:

- (i) The total receipts of the trust for the P.Y. 2024-25 for educational institution is ₹ 3.10 crores and for the hospital it is ₹ 3.40 crores.
- (ii) Voluntary contributions [included in (i) above] received for the P.Y. 2024-25 from the public amounted to ₹ 105 lakhs. It includes corpus donations of ₹ 55 lakhs (for purchase of building for the trust) and anonymous donations of ₹ 20 lakhs.
- (iii) During the P.Y. 2024-25, computers purchased for ₹ 80 lakhs out of:
 - Corpus fund mentioned in (ii) above ₹ 30 lakhs.
 - Loan – ₹ 25 lakhs
 - Voluntary contributions - ₹ 25 lakhs
- (iv) Corpus donations received during the current year are invested in –
 - Post Office Savings Accounts ₹ 10 lakhs
 - Canara Bank as Fixed deposits ₹ 5 lakhs
 - Non-banking Financial Corporation (NBFC) ₹ 10 lakhs
- (v) Repaid loan of ₹ 10 lakhs which was utilized for purchase of furniture during P.Y. 2020-21.
- (vi) Corpus fund of ₹ 10 lakhs and ₹ 5 lakhs utilised for purchase of building during the P.Y. 2021-22 and P.Y. 2022-23, respectively – Deposited back in post office savings account during PY 2024-25.
- (vii) Payment of ₹ 4 lakhs to contractor during P.Y. 2023-24. TDS on the same has been deducted and deposited in December 2024.
- (viii) Payment of professional fees of ₹ 2 lakhs by crossed cheque.
- (ix) Income of ₹ 12 lakhs could not be applied during the P.Y. 2024-25 due to genuine reason. The trust has furnished Form No. 9A in this regard on 31st October, 2025.

- (x) Income of 7 lakhs was applied for the benefit of trustee's son.
- (xi) Operating Expenses of the trust during the P.Y. 2024-25 amounted to ₹ 240 lakhs out which ₹ 8 lakhs was outstanding.
- (xii) Acquired a building for ₹ 80 lakhs on 1.6.2024 for expansion of hospital (cost of land included therein ₹ 50 lakhs). Stamp duty value of the land and building ₹ 210 lakhs.
- (xiii) Excess of expenditure over income in the P.Y. 2023-24 ₹ 2 lakhs.
- (xiv) Amount paid to another trust registered u/s 12AB by way of donation of ₹ 10 lakhs. Out of the said amount ₹ 2 lakhs was given as corpus donations.
- (xv) ₹ 6 lakhs, being the amount set apart in the P.Y.2023-24 by the trust for charitable purposes u/s 11(2) utilized in the P.Y. 2024-25 for making donation to another charitable trust, whose object is also education.
- (xvi) ₹ 90 lakhs – accumulated for future charitable purpose. Statement in Form No. 10 was furnished on 24th Oct., 2025.
- Compute the total income of the trust for A.Y. 2025-26.

ANSWER:

STATEMENT OF TOTAL INCOME

Particulars	₹
Incomes eligible for exemption:	
Receipts other than donations [3.1+ 3.4 – 1.05cr.]	5,45,00,000
Donations:	
→ Corpus donation	—
[₹15L invested in prescribed mode i.e. P.O./Bank]	
→ Anonymous Donation to the extent of:	5,25,000
(↑ 5% of Total donations i.e. 5% of ₹105L)	
(↓ ₹1,00,000)	
→ Other Donations	30,00,000
(105L – 55L Corpus – 20L Anonymous)	
	5,80,25,000
Less: 15% Exempt	(87,03,750)
	4,93,21,250

Less: Applied:	
Purchase of computers out of Corpus donation	—
Purchase of computers out of Loan	—
Purchase of computers out of donations	- 25,00,000
Corpus utilised in P.Y. 21-22 deposited back in P.O.	- 10,00,000
Corpus utilised in P.Y. 22-23 deposited back in P.O.	- 5,00,000
Repayment of loan used in P.Y. 20-21	— (Note 1)
Paid to contractor – disallowed in P.Y. 23-24 (30%)	- 1,20,000
Payment of professional fees by crossed cheque	—
Applied for the benefit of trustee's son	—
Operating expenses paid [240 L – 8 L]	- 2,32,00,000
Acquired building at low price [sec 56(2)(x) – N.A.]	- 80,00,000
Donation to other trust [10 L – 2 L] x 85%	- 6,80,000
Excess application of P.Y.2022-23	—
	1,33,21,250
Less: Not Applied because not received	—
Less: Not Applied (other reason) (Note 2)	- 12,00,000
Less: Accumulated for future purpose (Note 2)	- 90,00,000
	31,21,250
Add: Incomes not eligible for exemption:	
Corpus donation not invested [30L + 10L]	+ 40,00,000
Accumulated in PY 2023-24 misused	+ 6,00,000
Excess Anonymous donation (₹20 L – 5.25 L)	+ 14,75,000
Taxable Income	91,96,250

Note 1:

Before 1/4/2021, loan and corpus fund used for charitable purpose was treated as application. Hence, repayment of such loan and redeposit of such corpus cannot be claimed as application again.

Note 2:

Statement of Accumulation in Form No.10 and Statement of Deemed application in Form No. 9A should be furnished **at least 2 months prior to the due date** of filing return. However, as per CBDT circular, exemption for deemed application and accumulation cannot be denied if the Form 10/9A is furnished **up to the due date** of filing return.

QUESTION 2:

The Balance Sheet of M/s Shanti Niketan Charitable Trust as on 31.1.25, and its other information is given hereunder:

Particulars	₹ (lakhs)
<u>Liabilities</u>	
Corpus fund	800.00
Sundry creditors	335.00
Total	1135.00
<u>Assets</u>	
Land (purchased in the year 2011)	100.00
Land and buildings purchased in the year 2017	800.00
2000 quoted equity shares in X Ltd.	20.00
15,000 unquoted equity shares in Z Pvt. Ltd.	1.50
Balance in fixed deposits with scheduled banks	200.00
Cash in hand	12.00
Tax Deducted at Source	1.50
Total	1135.00

The application for registration was made on 15.4.2014 and registration was granted on 1.7.2014. However, the registration was cancelled on 31.1.2025. An appeal was preferred against the order of cancellation, which was dismissed by the Appellate authorities. The order confirming the cancellation was received on 31.3.2025.

Additional Information:

- (1) SDV of the land (purchased in 2011) as on 31.1.2025 was ₹ 120 lakhs but if sold in the open market, the property would fetch ₹ 250 lakhs as per a registered valuer's certificate.
- (2) Land and building (purchased in 2017), if sold in the open market will fetch ₹ 1000 lakhs as per a registered valuer's certificate. SDV as on 31.1.2025 was ₹ 1050 lakhs.
- (3) The highest and lowest value per share of X Ltd. traded on 31.1.2025 was ₹ 1099 and ₹ 1051 respectively.
- (4) Sundry Creditors include Rs. 30 lakhs provided on estimated basis to contractors for which no bills are received.

- (5) With respect to Z Pvt. Ltd, following additional information is available as on 31.1.2025:
- 1,00,000 equity shares of Rs. 10 each
 - Total book value of assets [other than bullion and jewellery] is Rs. 60 lakhs
 - Market value of bullion and jewellery is Rs. 30 lakhs
 - Liabilities amounting to Rs. 35 lakhs

Based on the above information, calculate the exit tax payable by the Charitable Trust and state the latest day on which the said tax must be paid. Give working notes wherever necessary.

ANSWER:

As per section 115TD, the accreted income of M/s Shanti Niketan Charitable Trust, registered under section 12AA would be chargeable to tax @ 34.944% [30% plus surcharge @ 12% plus cess @ 4%] for the reason of cancellation of registration.

COMPUTATION OF EXIT TAX

S hares & securities [Quoted eq. shares of X Ltd.] Avg of stock ex. price (2,000 shares x 1075)	21,50,000
U nquoted equity shares of Z Pvt Ltd. (S + U + J 30 L + I + O 60 L – 35 L) x 15%	8,25,000
B usiness undertaking of trust	Nil
I mmovable property	
Land purchased in 2011 [before regn.]	Nil
Land & Building purchased in 2017 (Higher of FMV 1,000 L & SDV 1,050 L)	10,50,00,000
O ther Assets (except Misc. exp. & Adv. tax/TDS)	
FD with Scheduled Banks	2,00,00,000
Cash in hand	12,00,000
Less: Liabilities	
Sundry creditors (other than unascertained liab)	- 3,05,00,000
	9,86,75,000
Exit Tax @34.94% on above	3,44,77,045

The latest day on which such tax must be paid is 14th April, 2025, being 14 days from 31.3.2025, the date on which the order confirming the cancellation is received.

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