

AccountAble™

Income Tax Return

Issue # 16; August '95

NGO's receive donations, grants and may also have some Income Generation activities. This is their income. From this income, they spend money on various activities. At the end of each year, an Income & Expenditure Account is made. This may show a surplus or a deficit. If there is a surplus, should the NGO pay tax? The answer is 'no' and 'yes'.

If an NGO follows the conditions of Income Tax Act, it does not have to pay any tax. This is known as 'exemption'. NGO's which are not exempt would have to pay tax. This applies to all NGO's.

An NGO can get exemption from tax by registering under section 12A. From 1st April '97, the Commissioner has to decide on an application within 6 months and has the power to refuse registration if he is not satisfied about the genuineness of the Trust (section 12AA).

Filing the return

After application for registration under section 12A has been filed, you should start filing the Income Tax Return immediately. You do not have to wait for actual Registration.

Due date for filing

The last date for filing the return is 31st July.

However, if:

- your society's income is more than Rs. 50,000/-, or
- your society is registered under Co-operative Society Act;

then the last date for filing the Return is 31st October.

Which Form to use

Form IIIA should be used for filing the return. This form is available from the Income Tax Office or any stationery shop selling government forms. Your auditors should be able to tell you where the form is available. If you can not get it anywhere, you can xerox it from the Income Tax Rules.

How to fill up the return

An acknowledgment sheet is attached to the return. This should be filled in duplicate. When you deposit the return, one of these will be stamped and returned to you.

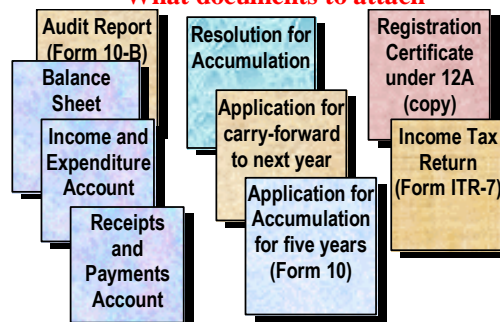
The main return has following sections:

Section	Purpose
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Section	Purpose
Basic information	Name, address, registration details etc.
Part I: Statement of Total Income	Total income is shown here – expenditure for running the NGO is claimed as a deduction
Part II: Deductions under chapter VI-A	Mostly inapplicable
Part III: Statement of Taxes	This shows calculation of tax payable – generally this would be nil.
Part IV: Exempt Income	Any income totally exempt from tax should be listed here – this does not include normal donations or grants etc.
Verification	The Secretary or chief functionary has to sign this.
Annexure A: Profit and Gains	Inapplicable ¹
Annexure B: Deductions	Inapplicable
Annexure C: Capital Gains	If you have sold any assets for more than the purchase price, details would be given here.
Annexure D: Investments	Details of investments held on 31st March should be given. This includes funds in a bank account. Part B of this Annexure tries to catch Trusts which are set up by businessmen to avoid tax.
Annexure E: Book Profits	Inapplicable
Annexure F: Particulars of Trustees etc.	These details are needed to know whether any amounts have been paid to trustees or their relatives.
Notes to help you fill up the return	Don't read these – you may find yourself more confused than ever.

The above table is meant for general knowledge only. You should not try to fill the return on this basis alone. It would be a good idea to seek your auditors' advice in filling up the return.

What documents to attach



A complete set of Income Tax Return

¹ Unless you are also running an Income Generation Project

Make out two complete sets of the following documents (one set for Income Tax office, other for your files):

Assessment Procedure

After you file your return, it will be sent to the circle or ward which looks after your case. Someone in the Department will go through the return to see that everything is in order. After this an intimation [under section 143(1)(a)] will be sent to you. This tells you that the return filed by you is broadly acceptable.

Scrutiny

However, the Department will also pick up some cases for detailed scrutiny. These may be NGO's which have large revenues or cases where problems have been noticed in earlier years. These NGO's will be issued notice for hearing.

If you receive such a notice, consult your auditors or C.A.'s. They will help you collect all the necessary papers. They will also attend the hearings on your behalf.

Assessment Order

After the hearings are completed, the Department will issue an assessment order. In some cases, you may also get a demand notice for paying income tax. If you feel the demand is unjustified, you can file an appeal against it.

Did you know that...

- Since the beginning of Indian history, the state had relied on land revenue for its expenses. Income Tax was introduced in India for the first time by the British in 1886.
- The Indian legislation amended most often is The Income Tax Act, 1961 – it has been changed 78 times in 34 years.
- The Income Tax Rules, 1962 have been changed 287 times in 33 years: i.e. once every 42 days!
- Taxation is defined as the process by which money is collected from the people in order to pay the salaries of the people who do the collecting.
- India's highest tax payer is Mr. Gulshan Kumar (T-Series, Delhi). He paid about Rs. 4 crores last year as personal income tax.

The Income Tax Chase

Fooling around with the Income Tax Department is not a joke – it's a game of chance. If you want to play this game, get a die (from any old Ludo) and some buttons or coins. Move forward according to the number thrown. If you land on a penalty square (marked with blue & red printing), follow the green arrow to move back. First one to reach 'Finish' wins the game.

