

Summary of Recommendations

With reference to Registration and Exemption

(Paragraphs 2.1 to 2.53)

1. The Ministry should ensure compliance to the existing mechanism to ascertain whether the competent authorities DGIT-E/CCIT/CIT/DIT-E have verified all the requisite documents as specified in Act for registration.
2. The Ministry may consider inserting box (PAN No) in Form No 10 A and also bringing about suitable changes in Rule 17A of the Income Tax Rules making PAN a pre-requisite condition for registration.
3. The Ministry may consider providing suitable database of registered trusts/institutions to AOs to have co-ordination between Approving Authorities and AOs. The activities beyond scope of its objects and omissions on the part of the assessee should be reported by AO to Approving Authorities so that withdrawal or penalty may be initiated against erring Institutions.
4. The Ministry may ensure that the competent authorities adhere to the limitation of time for passing order u/s 10(23C), 12A and 80G otherwise responsibilities may be fixed to avoid allowing exemption to the ineligible Trusts.

With reference to Assessment

(Paragraphs 3.1 to 3.79)

- 5 The Ministry may evolve a mechanism so that Trusts are not allowed accumulations consistently through strict monitoring of Form 10 invariably in all the cases to cover all assessments whether in summary/scrutiny or bring amendment in the Act to restrict such accumulations up to a certain limit.
- 6 The Ministry may devise an appropriate control mechanism with clearly defined responsibilities to ensure utilization of accumulated funds over a period of time or tax the same.
- 7 The Ministry may evolve effective monitoring system to make AOs responsible to check investments in unauthorized modes in all the cases.
- 8 The Ministry may initiate action for withdrawal of exemption /cancellation of registrations/approvals u/s 12A / 10(23C) of Act in case of violation of provisions of section 13 of Act.

With reference to Accumulations and Foreign Contribution

(Paragraphs 4.1 to 4.27)

- 9 ITD should monitor accumulations of income by Trusts that are used in specified mode, specified time and for specific purposes. Prescribed registers should be maintained and updated strictly to watch accumulations and this database should also be computerized and available to the AOs while finalizing assessments.
- 10 ITD may ensure that all the stipulated conditions are fulfilled before granting exemptions u/s 11(2) on the basis of Form 10 required to be filed by assessee before filing of returns.

- 11 ITD may ensure that FC cases are selected for scrutiny as per guidelines issued by CBDT.

With reference to Inconsistencies in Act

(Paragraphs 5.1 to 5.43)

- 12 The Ministry may bring suitable amendment in Act to streamline the treatment of depreciation, deficit and repayment of loans.
- 13 The Ministry should issue suitable instructions to verify information of major donations received u/s 80G during scrutiny cases to ensure proper accounting of donations/transactions in the accounts of donors.
- 14 The Ministry may bring suitable definition for the phrase “substantially financed” to clarify provisions of section 10(23C).
- 15 The Ministry may consider bringing suitable modifications in provisions for compliance with TDS provisions by Trusts and the provisions may be made for proper disclosure in the Audit Reports.
- 16 The Ministry may consider bringing out suitable changes in Forms to be submitted by Trusts.

With reference to Resource Utilization

(Paragraphs 6.1 to 6.27)

- 17 The Ministry may maintain a comprehensive database of Trusts with linkage of the PAN, details of registration and assessment. The Ministry may also consider making mandatory electronic filing of returns of Trusts.