



## CBDT clarifies provisions under Finance Act 2023 relating to donations made by a trust / institution to another trust / institution for purposes of application of income

Any trust or institution registered u/s 12AA or 12AB of the Income Tax Act 1961 is exempt, subject to the fulfilment of certain conditions

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Income of any fund or institution or trust or any university or other educational institution or any hospital or other medical institution referred to in specified sub-clauses of section 10 (23C) of the Income-tax Act, 1961 (the 'Act') or any trust or institution registered under section 12AA/12AB of the Act is exempt, subject to fulfilment of certain conditions specified under various sections of the Act.

Finance Act, 2023 provided that donations made by a trust / institution (other than towards corpus) shall be treated as application for charitable or religious purposes only to the extent of 85% of such donations.

Representations have been received by the Central Board of Direct Taxes (CBDT) raising concerns as to whether the balance 15% of donation to other trust / institution would be taxable or would be eligible for 15% accumulation, since the funds would not be available, having been already disbursed.

CBDT has examined the matter with reference to the issues raised above. Vide Circular No. 3/2024 in F.No.370142/5/2024-TPL dated 06.03.2024, issued today, the matter has been clarified by illustrative examples, for lucid understanding. The said Circular is available on [circular-3-2024.pdf](https://www.incometaxindia.gov.in/circular-3-2024.pdf) ([incometaxindia.gov.in](https://www.incometaxindia.gov.in)).

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