

ASSESSMENT OF CHARITABLE TRUSTS

1. Shri Dubbawala Charitable Trust (Regd.) submits the particulars of its income/outgoing for the pervious year 2008-2009 as below:

	Rs
(i) Income from property held under trust for charitable purposes: (Rs 5,20,000 out of Rs 10,00,000 is received in PY 2009-2010)	10,00,000
(ii) Voluntary contributions (out of which Rs 50,000 will form part of the corpus)	2,00,000

The trust spends Rs 2,77,500 during the previous year 2008-2009 for charitable purposes. In respect of Rs 5,20,000, it has exercised its option to spend it within the permissible time-limit in the year of receipt or in the year, immediately following the year of receipt.

The trust spends Rs 2,00,000 during the previous year 2008-2009 and Rs 1,00,000 during the previous year 2009-2010. Compute and discuss the chargeability of the income of the trust.

Solution : (a) Computation of taxable income and tax liability of the charitable trust for the PY 2008-2009/AY 2009-2010

Particulars	Rs
(i) Income from property held under trust for charitable purposes	10,00,000
(ii) Voluntary contributions (Rs 2,00,000 - Rs 50,000)	<u>1,50,000</u>
	11,50,000
Less: 15% set apart for future application	<u>1,72,500</u>
Balance	9,77,500
Less: Amount spent during the pervious year for charitable purposes	<u>2,77,500</u>
Balance	7,00,000
Less: Income not received during the previous year 2008-2009	<u>5,20,000</u>
Taxable income	<u>1,80,000</u>
Tax payable:	Rate of tax
1,10,000	Nil
40,000	10%
30,000	20%
	10,000
Add: Education Cess @ 2%	200
Add: SHEC @ 1%	<u>100</u>
	Tax payable
	<u>10,300</u>
(b) Previous year 2009-2010/AY 2010-2011	
Income received during the pervious year 2008-2009	5,20,000
(i) Amount spent for charitable purposes during PY 2008-2009	2,00,000
(ii) Amount spent for charitable purposes during 2009-2010	<u>1,00,000</u>
Taxable income	<u>2,20,000</u>

2. Shri Mungeri Ram Temple Trust (Regd.) derived Rs 6,00,000 income from the property held under charitable trust during the pervious year 2008-2009. About 40% of the income has been received by the end of the financial year. The trust could spend Rs 60,000 for charitable purposes during the year 2008-2009 and 40% receipts, received by the year end in 2008-2009, are being planned to be applied for charitable purposes during the previous year 2009-2010. Compute its in-come for the said two years if the amount planned to be spent during pervious year 2009-2010 for charitable purposes is Rs 1,00,000.

Solution : (a) Computation of taxable income of charitable trust: PY 2008-2009/AY 2009-2010.

Particulars	Rs
Income from property held under trust	6,00,000
Less: 15% set apart for future application for charitable purposes	<u>90,000</u>
Balance	5,10,000
Less: Income applied for charitable purposes during the year 2008-2009	<u>60,0000</u>
Balance	4,50,000
Less: Income realised by the close of the previous year—40% of Rs. 6,00,000	<u>2,40,000</u>
Taxable income	<u>2,10,000</u>
(b) Previous year : 2008-2008/AY 2008-2010	
Amount set apart in 2008-2009 to be applied for charitable purposes in 2009-2010	= 2,40,000
Less: Amount applied for charitable purposes	= 1,00,000
Taxable income	<u>1,40,000</u>

3. Devdas Charitable Trust submits the particulars of its receipts and outgoing during the previous year 2008-2009.

as below:

	Rs
(i) Income from property held under trust for charitable purposes	20,00,000
(ii) Voluntary contribution (out of which Rs 5,00,000 will form part of the corpus)	15,00,000
(iii) Donations paid to blind charitable school	6,00,000
(iv) Scholarship paid to poor students	4,00,000
(v) Amount spent on holding free eye camps in urban slums	3,00,000
(vi) Amount set apart for setting up an old age home by March 2012	10,00,000

Compute the total income of the trust for the previous years 2007-2008 and 2013-2014 if it spends Rs 5,00,000 during the previous year 2012-2013 and Rs 3,00,000 during the previous year 2013-2014 in setting up the old age home.

Solution : (a) Computation of the taxable income of the trust for previous year 2007-2008/AY 2008-2009.

Particulars		Rs
(i) Income from property held under charitable trust		20,00,000
(ii) Income from voluntary contributions (Rs 15,00,000-Rs 5,00,000)		<u>10,00,000</u>
Total		30,00,000
Less: 15% set apart for future application		<u>45,00,000</u>
Balance		25,50,000
Less: Income applied for charitable purposes:		
(i) Donations to blind charitable school	6,00,000	
(ii) Scholarship to poor students	4,00,000	
(iii) Free eye camps in urban slums	<u>3,00,000</u>	
Total	13,00,000	
Amount set apart for old age home	<u>10,00,000</u>	<u>23,00,000</u>
Taxable income		<u>2,50,000</u>

(b) Previous year 2013-2014 /AY 2014-2015:

Amount set apart for old age home

10,00,000

Less:

1. Amount spent during 2012-2013

5,00,000

2. Amount spent during 2012-2013

3,00,000

Taxable income

2,00,000

4. CD Charitable Trust furnishes the following particulars, for the year 2008-2009:

(i) Sale price of capital assets

15,30,000

(ii) Expenses incurred in connection with sale of the asset

30,000

(iii) Cost of the asset sold (purchased in 2007-2008)

5,00,000

(iv) Compute capital gain in the following cases:

(a) Cost of the new asset to be acquired

15,00,000

(b) Cost of the new asset to be acquired

8,00,000

(c) Cost of the new asset to be acquired

4,00,000

Solution: Computation of capital gain: PY 2008-2009 /AY 2009-2010

Particulars	Case-I Rs	Case-II Rs	Case-III Rs
Sale price Less:	15,30,000	15,30,000	15,30,000
(i) Selling expenses	(-) 30,000	(-) 30,000	(-) 30,000
(ii) Cost of the asset Short-term capital gain	(-) 5,00,000	(-) 5,00,000	(-) 5,00,000
	10,00,000	10,00,000	10,00,000
Less: Exemption in respect of capital gain	10,00,000	3,00,000	Nil
Taxable capital gain	Nil	7,00,000	10,00,000

Note: 1. Cost of new asset - cost of asset sold: 8,00,000 - 5,00,000 = 3,00,000

2. Cost of new asset - cost of asset sold: 4,00,000 - 5,00,000 = Nil