ASSESSMENT OF CHARITABLE TRUSTS

1. Shri Dubbawala Charitable Trust (Regd.) submits the particulars of its income/outgoing for the pervious year 2007-2008 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 2008-2009)	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 2007-2008 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 2007-2008 and Rs 1,00,000 during the previous year 2008-2009. Compute and discuss the chargeabiliry of the income of the trust.

Solution (a) Computation of taxable income and tax liability of the charitable trust for the PY 2007-2008/AY 2008-2009

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)		1,50,000
		11,50,000
Less: 15% set apart for future application		1,72,500
Balance		9,77,500
Less: Amount spent during the pervious year for charitable purposes		2,77,500
Balance		7,00,000
Less: Income not received during the previous year 2007-2008		5,20,000
Taxable income		1,80,000
Tax payable:	Rate of tax	
1,10,000	Nil	
40,000	10%	4,000
30,000	20%	6,000
		10,000
Add: Education Cess @ 2%		200
Add: SHEC @ 1%		100
	Tax payable	**11,300**

(b) Previous year 2008-2009/AY 2009-2010

	Income received during the pervious year 2007-2008	5,20,000
(i)	Amount spent for charitable purposes during PY 2007-2008	2,00,000
(ii)	Amount spent for charitable purposes during 2008-2009	1,00,000
	Taxable income	**2,20,000**

2. Shri Mungeri Ram Temple Trust (Regd.) derived Rs 6,00,000 income from the property held under charitable trust during the pervious year 2007-2008. 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 2007-2008 and 40% receipts, received by the year end in 2007-2008, are being planned to be applied for charitable purposes during the previous year 2008-2009. Compute its income for the said two years if the amount planned to be spent during pervious year 2008-2009 for charitable purposes is Rs 1,00,000.

Solution (a) Computation of taxable income of charitable trust: PY 2007-2008/AY 2008-2009

Particulars	*Rs*
Income from property held under trust	6,00,000
Less: 15% set apart for future application for charitable purposes	90,000
Balance	5,10,000
Less; Income applied for charitable purposes during the year 2007-2008	60,000
Balance	4,50,000
Less: Income realised by the close of the previous year—40% of Rs. 6,00,000	2,40,000
Taxable income	**2,10,000**

(b) Previous year :

Amount set apart in 2007-2008 to be applied for charitable purposes in 2008-2009	= 2,40,000
Less: Amount applied for charitable purposes	= 1,00,000
Taxable income	**1,40,000**

3. Devdas Charitable Trust submits the particulars of its receipts and outgoing during the previous year 2007-2008 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 2006-2007 and 2012-2013 if it spends Rs 5,00,000 during the previous year 2011-2012 and Rs 3,00,000 during the previous year 2012-2013 in setting up the old age home.

Solution (a) Computation of the taxable income of the trust for previous year 2006-2007/AY 2007-2008

	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)		10,00,000
	Total		**30,00,000**
	Less: 15% set apart for future application		4,50,000
	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	3,00,000	
	Total	**13,00,000**	
	Amount set apart for old age home	**10,00,000**	23,00,000
	Taxable income		**2,50,000**

(b) *Previous year* 2012-2013 /AY 2013-2014:

Amount set apart for old age home	10,00,000
Less:	
1. Amount spent during 2011-2012	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 2007-2008:

	Rs
(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 2006-2007)	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 2007-2008/AY 2008-2009

Particulars	*Case-l* 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