Taxation of Trust

Computation where anonymous donation are taxable u/s 115BBC

Property held under trust		XXX
Voluntary donation [Other than Anonymous + Only general]		XXX
Total		**XXX**
Less: 15% allowed accumulation		(XXX)
Income to be applied		**XXX**
Less: Income Applied	XXX	
Income not received	XXX	
Income for which option exercised	XXX	(XXX)
Add: Adjustments referred to in 11(1B)		XXX
Taxable at normal rates		**XXX**
Add: Value on benefit covered u/s 12(2) RW 13(6)		XXX
Add: Anonymous Donations [Whether corpus or general]		XXX
Total income		**XXX**
Taxation		
Total Income		XXX
Less: Exemption of 115BBC		XXX
Less: Tax @ 30% u/s 115BBC		XXX
On balance [It will be amount excluding total anonymous donation]		XXX

Computation where anonymous donation are not taxable u/s 115BBC

Property held under trust		XXX
Voluntary donation [All general donation including Anonymous]		XXX
Total		**XXX**
Less: 15% allowed accumulation		(XXX)
Income to be applied		**XXX**
Less: Income Applied	XXX	
Income not received	XXX	
Income for which option exercised	XXX	(XXX)
Add: Adjustments referred to in 11(1B)		XXX
Add: Value on benefit covered u/s 12(2) RW 13(6)		XXX
Total income		**XXX**

Anonymous Donations	• Any anonymous donation will not be taxed u/s 11 & 12 [Sec 13(7)] • Anonymous donation will be taxable u/s 115BBC in case of donation to: [AD is taxed at 30% and balance as per 11 & 12] ✓ Wholly charitable trust ✓ Wholly for charitable & religious purpose but with specific direction to be used for university/other educational institute/hospital/other medical institute. • Exempted trust are: [Normal computation of 11 & 12] ✓ Wholly religious trust. ✓ Wholly for charitable & religious purpose without specific direction.

beingchartered@gmail.com
http://www.facebook.com/#!/beingchartered
http://www.caclubindia.com/profile.asp?member_id=86436

Other notes	• Property held under trust includes any business undertaking and covered only if it is incidental & separate books are maintained. • Specific corpus donations are exempt if non – anonymous •
Income applied	• Repayment of loan provided expenditure incurred was not treated as applied. • Interest bearing loan & advances provided treated as income in year of return. • Any expenditure whether capital or revenue • Donation to registered trust. *** • Payment of taxes • Liability incurred whether paid or not. [Earmarked fund is not a liability created] • Depreciation even if capital expenditure was allowed
Treatment of capital gain [Sec 11 (1A)]	• Whole of NSC invested – whole CG exempt • Part of NSC invested – CG exempt = Investment – CoA • Investment in another capital asset. • {we can say that any CF not invested will become taxable}
Sec 11(2)	• Accumulation out of 85% for specified purpose • Notice in writing in prescribed manner**, purpose and period [Max 5 yrs.] • Invested or deposited in modes specified u/s 11(5)
Sec 11(3)	• Applied for other purpose – year of such application • Ceases to remain invested – year of such cessation • Unutilized in next year after specified period – such next year • Donated to registered trust – year of such donation ***
Sec 11(5) [Some]	• Shares of Public Sector Company [3 years from cease to be PSC] • Shares of depository • Units of Mutual Fund • Units of UTI • Immovable property
Sec 12A	• Registration will be valid for AY following the FY in which Application is given.

Exp. 2 to Sec 11(1) + Sec 11(1B)

Income not received	Can be used in year of receipt and next year to it	Taxable in 2nd year of receipt if not used
Received but could not be applied & option exercised	Can be used in next year	Taxable in next year if not used
Assesses has to exercise his option before 139(1)		

Section 13

Sec 13(1)	Section 11 not to apply on entire income if any part is used for: 1. Income for private religious trust – MMR. 2. Income for benefit of particular religious community [Except SC/ST/OBC/Children/Women] – MMR. 3. Income for benefit of 13(3) person – MMR. 4. Funds invested in modes other that 11 (5).
Sec 13 (3)	• Author/founder • Substantial contributor [>50,000]

	• Member of HUF • Trustee/manager • Relative of above all • Any concern in which above all have substantial interest
12(2) RW 13(6) ###	• Trust running educational or medical institution will not denied exemption even if it has provided services to 13 (3) subject to taxability of such value u/s 12(2). • As per section 12 (2), any value of service as above will be deemed to be income of such trust and will be taxable at normal rates.

Income or property deemed for benefit of 13 (3)

Where	If
Income/property lent	Without adequate security/interest/both
Land, building, other property made available	Without adequate rent/compensation
Salary, allowance, other amounts paid for services rendered	Unreasonable
Services made available ###	Without adequate remuneration/compensation
Share, security, other property purchased	> Adequate consideration
Share, security, other property sold	< Adequate consideration
Income/property diverted	Except diversion of value upto Rs. 1000
Funds invested in specified concern	