

# Overview of 12AA Registration

12AA registration is done with the aim to receive exemption from Income Tax. All income of the organization cannot be taxed once this registration is done. Form 10A is used to fill the application form for 12AA registration. Commissioner of Income tax department who holds the jurisdiction over the institution is responsible to process your application of registration under section 12AA. Exemption on Income Tax is available for all NGOs but only those who are aware of it and can take benefit out of it. Hence, in order to entertain the benefit of exemption limit it is necessary for all NGOs, Trusts, and other Not-for-Profit organizations to be aware of Section 12AA of Income Tax Act.

## Form 10A

Organizations who are willing to get registered under Section 12AA needs to file form 10A. Organizations such as Charitable Trusts, Religious Trusts, Societies and Section 8 Companies are eligible to apply for Section 12AA registration. 12AA registration procedure along with Form 10A filing has been made online and can only be made possible with the digital signature of the signatory.

## Benefits of 12AA Registration

- The fund which you are planning to use for the charitable or religious purpose will be regarded as income application. In layman term, income application is considered as an expense which is incurred by the trust on charity or on religious purpose.
- The final income received will be exempted from tax
- Organization or person who is registered under this section can take the advantage of accumulation of income which cannot exceed 15% for the charitable or religious purposes.
- Section 11(2) consider accumulation of income as application of income hence it is not included in the total income.
- NGOs enjoy the benefit of receiving multiple permits from government and other agencies. There are agencies that provide financial support to NGOs and these agencies usually prefer to make grant to 12AA registered NGO's.
- Registration done under Section 12AA is a onetime process. Once the registration is done, it remains valid till the date of cancellation of the registration. 12AA registration does not need to be renewed hence it can be considered as a benefit avail by the NGOs.

## Documents Required for 12AA Registration

- 12AA registration applicant needs to submit the following documents along with Form 10A:
- Instrument's self-certified copy which was used in the process of creating trust or establishing the institution shall be submitted.
- The foundation or trust may have been made in any case than by method for drafting and registering an instrument. In such cases, a self-attested copy of the document confirming the creation of the trust, or foundation of the institution ought to be submitted to the Income Tax Department.
- Provide a self-attested copy of the registration, which was made with the pertinent body. The relevant body might be the Registrar of Companies, the Registrar of Firms and Societies or Registrar of Public Trusts.

- A self-certified copy of the document which serves as an evidence at the time of adoption or during alteration of the objective of the entity shall be submitted.
- Financial report of the trust/institution for maximum three preceding financial year.
- Note on activities which entity perform
- There are a few cases which may force Income Tax Department to cancel the registration issued under this section. Though once the assessee has resolved the issue he can file for the subsequent application. In such a scenario it is essential for the applicant to submit a self-certified copy of the existing order issuing registration.
- In case assessee application has been dismissed, he needs to attach a self-certified copy of the order of rejection with the application.

## **Eligibility Criteria for obtaining 12AA Registration**

- One of the primary criteria to receive registration under Section 12AA is that the purpose behind the existence of the organization is to do charitable job as defined in the Income Tax Act. Indulging in charitable activities include providing education, medical relief to the poor, and performing activities with the motive to prevent the environment.
- Before giving any registration certificate under Section 12AA governmental authorities will check whether there is any profit motive involved in conducting the activities, if not, registration under Section 12AA is granted.
- If the assessee is involved in activities like trade or commerce, then the services offered under this section remain limited. In such cases, registration is granted only to those applicants whose receipts from the trade activity are less than twenty percent of the total receipts of the assessee.
- Private or Family Trust are not eligible to apply for Section 12AA registration.

## **Registration Procedure for Obtaining 12AA Registration**

- Once you have submitted the application in the prescribed format available online, the Commissioner will ask you to submit additional documents as per the additional requirements. The request for further verification of the documents will help in proving the genuineness of the activities of the organization.
- If the Commissioner is happy with the application, then he/she will register the Trust or Institution under Section 12AA, all the Commissioner has to do is pass an order for the registration process to begin.
- The provision of Section 12AA(2) states that registering authority shall pass the order of granting or refusing registration before the expiry of six months from the end of the month in which the application was received.
- All things considered 12AA registration is 1 to 3 months long in India. In any case, when a Trust acquires registration, it is legitimate for the lifetime of the Trust and there is no necessity for renewal.

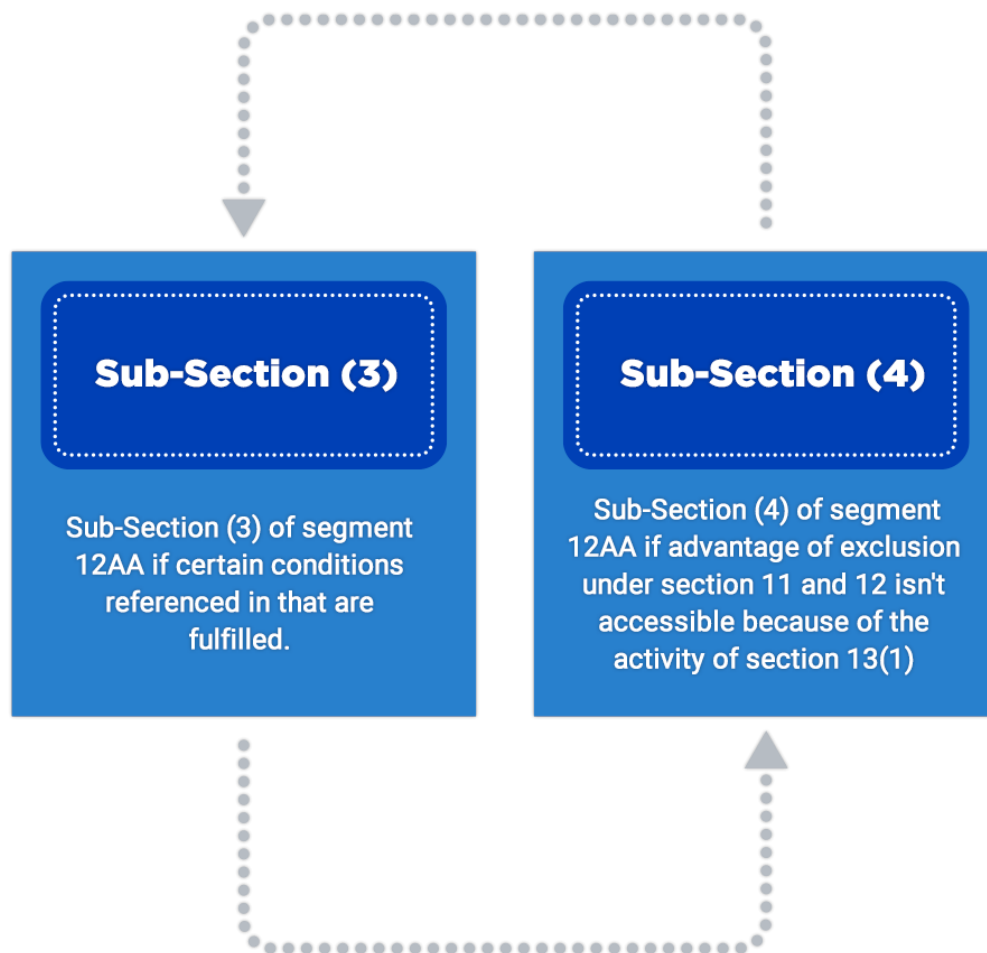
## **Cancellation of 12AA Registration**

Where a trust or an establishment has been allowed registration under Section 12AA(1)(b) or has acquired registration whenever under Section 12A as it remained

before the correction by the Finance (No. 2) Act, 1996, the Principal Commissioner or the Commissioner of Income-tax can drop the registration under the accompanying two sub-sections:

**Cancellation Of Registration Of Trust Or Institution Under Section 12AA(3):** The Principal Commissioner or Commissioner in the wake of giving reasonable chance of being heard to the concerned trust or foundation, pass a request under Section 12AA(3) in written cancelling the registration under the accompanying two conditions:

- the actions of a trust or foundation are not veritable, or;
- the actions are not being done as per the objects of the trust or foundation.



#### **Cancellation Of Registration Under Section 12AA (4)**

so as to defend the provisions related to cancellation of registration of a trust, section 12AA(4) was embedded to give that where a trust or a foundation has been conceded enrollment, and in this way it is seen that section 13(1) is applicable as its activities are being done in such a way, that

- it is for advantage of a specific religious community or caste (in the event that it is set up after beginning of the Income-tax Act);
- any salary or property of the trust is applied for advantage of determined people like owner of trust, trustees, and so on.; or

- its assets are put resources into restricted modes,
- at that point the Principal Commissioner or the Commissioner may choose to pass an order in writing stating the cancellation of registration of such trust or institution.

In any case, registration will not be dropped under Section 12AA(4) if such trust or foundation proves that there was a genuine reason to conduct the above mentioned activities.

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