

MUTUAL CONCERNS :-

INTRODUCTION :-

- ① A mutual concern arises where persons forming a group associate together with a common object and contribute funds for achieving such common object.
- ② For example : Resident Welfare Association (RWA).
 - : Social clubs.
 - : Sports clubs.
 - : Bar Association.
 - : Shop owners Associations, etc.
- ③ After achieving such common object, if any funds remain unutilised then such funds shall be distributed among those persons (members) only who were formed such mutual association / group.
- ④ No surplus fund shall be distributed to outsiders or to non-member.
- ⑤ However, distribution of funds need not to be done immediately, it can be adjusted towards future contributions or at the time of dissolution of such association.
- ⑥ A mutual concern can be formed by any person whether by individual or by company or by others.
- ⑦ The main principle of mutual concern is that "no person can trade with himself or make income out of himself." Trade means profit not means Trade Association.

TAX TREATMENT OF A MUTUAL CONCERN :-

MUTUAL CONCERN

OTHER ASSOCIATIONS

TRADE Association
AND PROFESSIONAL
ASSOCIATION.

Both General receipt and Specific
receipt will be exempted.

General Receipt / Service :

Specific Receipt / Service :

General receipt ₹ xxx
less:- General expense (₹ xxx)

Specific receipt ₹ xxx
less:- Specific expense (₹ xxx)

Surplus / deficit ₹ xxx / (₹ xxx)

Surplus / deficit ₹ xxx / (₹ xxx)

Exempted

TAXABLE U/s
28 of PGBP

Allow to be Set off
with other heads
income but upto
50% of other heads
Income. If no other
heads incomes are
there then Such
deficiency lapse on
the spot.

Set off and
Carried forward
provision will
apply, alike
Normal provisions
on Normal incomes,
U/H PGBP.

Explanation :-

- ① The income of a Mutual concern is exempted from Tax if Such income / receipts received from member of Mutual Association only.
- ② It means Receipt from non-member shall be fully Taxable.
- ③ Receipt are of 2 types :- (A) General receipts.
(B) Specific receipts.
- ④ For Trade Associations or Professional association :
 - General receipt is exempt and Specific receipts are Taxable.
 - It means Surplus from General receipt is exempt and Surplus from Specific receipt is Taxable.
 - In case deficit from General receipt shall be allowed to be set off with other heads Net Income of relevant P.Y upto 50% of Such Net Income, otherwise it will lapse firstly Such deficiency set off with PGBP Income.
Net Income of other heads means an income after all deductions of Such other heads and after claiming firstly brought forward losses and unabsorbed depreciation.
 - In case deficit from Specific receipt then all the normal provisions of the Act shall apply alike on other income such as set off with other heads and Carried forward.

→ A Trade association is an association of Tradesman, businessman, manufacturers for the protection and advancement of their Common interest.

- (6) For other association such as Social association, Security association, entertainment association, RWA etc. both the General receipt and Social receipt shall be exempted.
- (7) It means any Surplus from such receipts shall be fully exempted from Tax and in case of deficiency there is no Tax Treatment.
- (8) Further more funds shall be called from member to fulfill such deficiency and Mutual object.
- (9) Proceeds from sale to members, not Taxable.
- (10) However Proceed from non-member shall be fully Taxable.