

EY Flash News

CBDT extends time limit for registered charitable institutions for filing audit report and tax return for tax year 2022-23

Executive summary

EY Alerts cover significant tax news, developments and changes in legislation that affect Indian businesses. They act as technical summaries to keep you on top of the latest tax issues. For more information, please contact your EY advisor.

This Flash News summarizes a recent Press Release dated 18 September 2023 followed by Circular No. 16/2023 of even date (Circular) issued by the Central Board of Direct Taxes¹ (CBDT) which granted relief to registered charitable institutions by extending due date for filing audit report (Form 10B/10BB) from 30 September 2023 to 31 October 2023 and tax return (ITR 7) from 31 October 2023 to 30 November 2023 for tax year 2022-23.

¹ Apex body of direct tax administration in India

Background

Entities involved in charitable activities (hereinafter referred as charitable entities) are exempt² from income tax under the Income tax laws subject to satisfaction of certain conditions. Amongst other conditions, the charitable entities are required to file audit report³ on or before 30 September of subsequent tax year and tax return⁴ on or before 31 October of subsequent tax year.

Earlier, CBDT *vide* Notification No. 7/2023 dated 21 February 2023 had replaced the old form of audit report with two different forms requiring substantial data/information in relation to receipts earned, amounts spent, nature of spending, source of spending etc. by the charitable entities. Some of the information sought even pertains to earlier tax years. Furthermore, the online utility of audit report was made available only in September 2023.

Various representations were made by the charitable entities and other stakeholders in relation to the difficulties faced in collating the information and submitting the same as the new forms had several clauses which require a deep understanding of the law and were amenable to different interpretations. In view thereof, the CBDT has granted extension in due date for filing audit report and tax return.

Comments

This is a welcome move. The information and details sought for in the new audit report are extensive. The extension granted by CBDT may give some more time to the charitable entities to compile this information and comply with the reporting requirements of audit report.

However, some of the new reporting requirements are onerous and might require the taxpayer to pull out records since inception (e.g., details of persons who has donated an amount of INR 0.05M in aggregate in past, source of application during the tax year, etc.) but no relaxation is being granted by CBDT with respect to any reporting requirement.

It may be noted that the aforesaid due dates extension is limited for registered charitable institutions and does not apply to other categories of taxpayers (i.e., non-transfer pricing cases) who are required to furnish tax audit report (Form 3CA/3CB/3CD) on or before 30 September 2023 and tax return on or before 31 October 2023.

CBDT Circular:

The CBDT provided relaxation to charitable entities by extending the time limit to file:

- ▶ Audit report from 30 September 2023 to 31 October 2023; and
- ▶ Income Tax return from 31 October 2023 to 30 November 2023

The extension is applicable for tax year 2022-23.

² S. 10(23C) or s. 11 of ITA

³ Audit Report is to be filed in Form 10B (if total income without giving effect to exemption exceeds INR 5 cr.) or in Form 10BB (in any other case)

⁴ ITR-7

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