

## Drastic Changes in trust audit report

Since introduction of old Form 10B and 10BB, many amendments have been made in the Income Tax Act in relation to provisions applicable to Charitable and Religious Trusts approved under section 10(23C) and registered under section 12AB and approved under section 80G. Also, many landmark judicial rulings also issued. Hence there was need to reflect these changes by amending format of the form for audit report of charitable and religious trusts. CBDT vide notification No.07/2023, made drastic change in format of trust audit report. Also, Rule 16CC applicable for form of audit report prescribed under tenth proviso to section 10(23C) and Rule 17B applicable for audit report in the case of charitable or religious trusts is also amended. Many new details are incorporated in the format. These amendments are discussed in detail hereunder.

### Selection of Form for audit report

Before this amendment Form 10B was applicable to the trusts or institutions registered under section 12A and Form 10BB was applicable to trusts or institutions approved under section 10BB. Now the focus is shifted from type of registration to amount of total income of the trust. Hence now form of audit report should be selected considering following amended provisions of Rule 16CC and Rule 147B.

Criteria for selection of form for audit	Applicable form
Total income without giving effect to provisions of sub-clause (iv), (v), (vi) and (via) exceed Rs. 5 Crore	10B
Total income without giving effect to provisions of section 11 and 12 exceeds Rs.5 Crore	10B
Trust or institution has received any foreign contribution during the previous year	10B
Trust or institution has applied any part of income outside India during the previous year	10B
In any other case not covered above	10BB

### Changes made in Form 10B

#### ➤ Details required to be reported in Form 10B as well as in Form 10BB

- Details of the authors/ founders/ settlors/ trustees/ member of society/ member of the governing council/ directors/ shareholders (including non-individual person) holding 5% or more shareholdings/ office bearers of the auditee at any time during the year including Name, relation, Unique Identification Number, address etc.
- Details of commencement of activity. If the trust has commenced the activity, details of application for registration/ approval.
- Details of books of accounts maintained by the trust including nature of books of accounts, whether maintained in computer system, whether maintained at registered office, if maintained at any other place, details of such place and intimation to AO about the decision and whether the books of accounts have been audited.
- Details of filing of form 10BD including amount of donation reported and not reported in Form 10BD and donation not required to be reported.
- Details of voluntary contributions received during the year. The amount reported here should be matched with amount reported and not reported in Form 10BD.

- Details of foreign contribution out of voluntary contribution.
  - Voluntary contribution forming part of the corpus.
  - Details of anonymous donation taxable @30% under section 115BBC.
  - Details of income applied outside India.
  - Details of income other than voluntary contributions reported above.
  - Details of application of income
    - (1) Amount not actually paid during the year, amount actually paid during the year, which accrued during the year but not claimed as application of income in earlier previous year, amount invested or deposited back to corpus which was applied during the previous year and nor claimed as application during that previous year, repayment of loan or borrowing during the previous year which was earlier applied and not claimed as application of income during that previous year.
    - (2) Amount to be disallowed from application being amount disallowed under section 40A(ia), 40A(3)/(3A), donation to other trusts towards corpus, donation to other trusts not having same objects, donation to any unregistered trust, application outside India, application beyond trust objects, any other disallowance, amount deemed to have been applied and amount accumulated.
    - (3) Application out of income of earlier previous year or out of corpus and borrowed fund.
  - Taxable income under section 115BBI
  - Application of income out of income deemed to be applied in any preceding year, income of earlier previous year out of 15% accumulated or set apart, application out of corpus and borrowed fund.
  - Details of transactions with specified persons referred to in section 13(3) and 13(2).
  - Details of specified persons as referred to in section 13(3).
  - Details of income/property referred to in section 13(2).
  - Details of specified violations
  - Details of depreciation on asset, acquisition of which is claimed as application of income.
  - Details of TDS deducted or TCS collected by the trust.
- **Details required to be reported only in Form 10B**
- Details of Registration /provision registration or approval/provisional approval
    - (1) Section 12AB/ 10(23C)/ 35/ 80G.under which registration/ provisional registration/ approval/ provisional approval obtained.
    - (2) Date of registration/ provisional registration/ approval/ provisional approval obtained.

- (3) Registration No./ Unique Registration Number (URN)/ Approval /notification No.
- (4) Authority granting registration/ provisional registration/ approval/ provisional approval.
- (5) Date from which registration/ provisional registration/ approval/ provisional approval is effective.

- Details of objects including type of object and details of modification. If there is modification in objects of the trust, whether application for registration has been made within 30 days from the said adoption or modification and details of such registration.
- Details of activity conducted for advancement of any other object of general public utility, out of which details of activity conducted or services rendered in the nature of or trade, commerce or business, percentage of receipt from such activity and whether is undertaken in the course of actual carrying out of such advancement of any other object of general public utility, amount of project wise receipt from such activity.
- Details of business undertaking as referred to in section 11(4) including nature of business undertaking and income from such business undertaking.
- Details of profits and gains of business as referred to in seventh proviso to section 10(23C) or section 11(4A) including nature of business, whether it is incidental to attainment of objects of the trust and profits and gains from such business during the year.
- Details of receipts on which TDS is deducted under section 194C, 194J, 194H or 194Q including name and TAN of deductor, category of income/receipt, income incidental to the attainment of objects and whether separate books of accounts have been maintained.
- Bifurcation of donation not reported in Form 10BD into donation which are not eligible under section 80G(5) such as cash donation exceeding Rs.2000/-, donation received from other trusts not eligible for deduction and other donation, donation which could not be reported due to non-availability of identification of donor, donation received in kind and anonymous donation. Donation not part of Form 10BD.
- Bifurcation of voluntary contribution into corpus donation received for repairs or renovation of notified places and corpus donation invested in forms or modes specified in section 11(5).
- Bifurcation of application of income into object wise application of income, payment made in excess of Rs.50 Lakh, application of income for revenue and capital.
- Bifurcation of taxable income under section 115BBI into deemed income taxable @30% under section 115BBI, income ceases to be accumulated to ceases to be invested as per section 11(5), amount not utilized for the purpose for which it was accumulated, income accumulated in excess of 15%, where such accumulation is not allowed, income applied outside India and not excluded from total income.
- Details of capital asset transferred with amount of net consideration, amount of deemed application claimed under section 11(1A)(a)/(b), net consideration for asset held in trust in part only for charitable or religious purposes.
- Details of application resulting in payment or credit in excess of Rs.50 Lakh during the year to a single person.

- Details of violations for which provisions of section 13(10) and twenty first proviso of section 10(23C) are applicable.
- Details of amount of expenditure incurred for religious purpose including total income and percentage of expenditure incurred for religious purpose.
- Details of receipt and repayment of loan as per provisions of section 29SS and 269T and 269ST.
- Details of TDS deducted or TCS collected by the trust.

**Conclusion:**

After the amendment in format for audit report for charitable and religious trusts and institutions, many documents, details and reconciliation should be prepared to report it in the report. It will be convenient to assessee and the department to verify compliance with all provisions applicable to the trusts and institutions as now it will be directly reflected through this new format of audit report.