

# Soon, It Will be Easier for Donors to Get Tax Benefit

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**You will find Donation details pre-filled at the time of filing your income tax return.**

If you donate with the dual purpose of giving back to society and getting a tax deduction under **Section 80G of the Income-tax Act, 1961**, you won't have to worry about procuring the relevant documents to claim tax benefit from the next assessment year. Budget 2020 has shifted the onus of furnishing details of the amount of Donation and the donor from the individual taxpayer to the charitable institution to which the Donation is made. You will find the details pre-filled in the forms at the time of filing your Income Tax Return (ITR).

The finance minister has not only changed the process through which a person can claim tax deduction, but the rules for the registration of charitable institutions **under Section 80G** have also changed. The changes will come into effect from June 2020. Read on to know more.

## **What happens now:**

In order to encourage charity, the government allows donors to avail of tax deduction under Section 80G. Deduction is allowed on Donations made to various funds and charitable organizations approved and registered by the income tax authorities. You can claim 100% or 50% of the amount Donated, depending on the charitable institution. There is a limit to the deduction amount if the Donation is made in cash to certain entities.

So far, you can claim tax deduction using the receipt issued by the charitable institution to which you've made the Donation.

Also, as of now, charitable institutions are required to register only once under Section 80G to be eligible to issue receipts to donors who need to produce them for deduction purposes.

## **What's been Proposed:**

The budget has sought to ease the process of claiming deduction on Donations. In her budget speech, the Finance Minister said, "In order to ease the process of claiming deduction for Donation, it is proposed to pre-fill the donee's information in taxpayer's return on the basis of information of Donations furnished by the donee. This would result in a hassle-free claim of deduction for the Donation made by the Taxpayer."

Simply put, from next year, your ITR form will have pre-filled details of the Donations you've made during the financial year. The tax authorities will pre-fill the details based on the information provided by the relevant charitable institution to which you donated.

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The ITR forms or tax utilities will cull out information from Form 26AS statement (proposed to be replaced with a new Annual Information Statement or AIS), Form 16 and other such documents.

Note that pre-filled information is available only when you choose to file your ITR online. If you use the Excel or Java utilities for e-filing, then you would need to fill in the details yourself.

You may want to be careful about the institute you donate to because your claim would be dependent on whether it files the relevant information within the prescribed time limit. "The donor shall not be directly eligible to claim deduction under Section 80G for any Donations. The donee is required to file the statement of Donations received within a prescribed time under newly inserted **Section 80G (5) (viii)**. The government is yet to stipulate the said time limit," said Suresh Surana, founder, RSM India, a tax consulting firm.

"A donor will not get deduction under Section 80G, unless the donee trust has filed a statement of all Donations received reflecting his Donation. There will, therefore, be a cross-check. In case the donee trust fails to do so, the donor would lose the benefit of the deduction," said Gautam Nayak, a chartered accountant.

To be covered under Section 80G, charitable institutions will have to get their License Renewed every five years. Earlier, they just needed to do a one-time registration and the License had no expiry date.

"Under the current Regulations, blanket approval is granted under Section 80G with regard to the period of validity of the certificate. Based on the revision proposed by Budget 2020, even existing charitable entities registered under Section 80G shall need to apply for approval with the tax authorities and the certificate shall be valid for five years," said Surana.

The move is expected to bring in transparency and accountability of institutes. "There has been significant changes in the administrative regulations governing entities having 80G registration," said Surana. This will help keep a check on inactive registrations as well.

### What to keep in mind:

Remember that if you opt for the new tax regime proposed by the government, you will not get the deduction benefit under Section 80G; you will continue to get the benefit under the old tax regime. The new tax regime has lower tax slab rates but has also removed the common deductions and exemption, including under Section 80G that help reduce the taxable income.

The new proposals will ease the burden on the taxpayer to collect relevant details required to claim deduction under Section 80G, but the taxpayer will have to be way more careful about choosing the charitable institution. If you've been a regular donor, check if the

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institute you donate to has got a fresh certification. Also, at the time of filing ITR, check if the pre-filled information includes details about the Donations you have made.