

## INCOME TAX SCRUTINY FOR NGOs RECEIVING MORE THAN 1 CRORE FC CONTRIBUTION

1. The Central Board of Direct Taxes (CBDT) has issued Instruction No. 10 of 2013 dated 05.08.2013 (Copy of Instruction enclosed) announcing the procedure and criteria for selection of scrutiny cases under the compulsory manual for financial year 2013-14. As per this instruction, any charitable organisation receiving foreign contribution in excess of ₹ 1 crore during the Financial Year 2011-2012 shall be subjected to scrutiny for the assessment pertaining to the Financial Year 2013-2014. The Information pertaining to Foreign Contribution shall be accessed from Ministry of Home Affairs website (<http://mha.nic.in/fcra.htm>).
2. Further, this instruction also directs that compulsory scrutiny should be made of all NGOs claiming exemption of income u/s 11 or u/s 10(23C) **which are hit by proviso(s) to Section 2(15) of IT Act**. It seems that all NGOs having commercial activities in excess of ₹ 25 lakhs shall be subjected to compulsory scrutiny irrespective of overall income/turn over.
3. It is also noteworthy to mention that new Income Tax return form ITR-7 makes it mandatory for all the NGOs to mention the amount of foreign contribution received in a financial year and e-filing of Income Tax Return has also become mandatory for the financial year 2012-13. Hence the information of receipt of foreign contribution by an NGO of more than ₹ 1 crore is readily available with the department on the basis of Income Tax Return filed by the assessee.
4. It is not clear why the CBDT has advised the scrutiny of organisations for the Financial Year 2013-14 based on foreign contributions receipt of an earlier year i.e. the Financial Year 2011-12 in excess of ₹ 1 Crore. Further, to collect information from the website of Ministry of Home Affairs is not necessary when such information is already available in the ITR-7.

INSTRUCTION NO 10/2013,

**F.No. 225/107/2013/ITA.II**  
**Government of India**  
**Ministry of Finance**  
**Department of Revenue**  
**Central Board of Direct Taxes**

North-Block ITA-II-Division  
New Delhi, the 5th of August, 2013

To  
All Chief-Commissioners of Income Tax  
All Directors-General of Income Tax

Sir/Madam

**Subject :** Procedure and criteria for selection of scrutiny cases under compulsory manual during the financial-year 2013-2014-regd.

In supersession of earlier instructions on the above subject, the Board hereby lays down the following procedure and criteria for manual selection of returns/cases for scrutiny during the financial-year 2013-2014:

2. The targets for completion of scrutiny assessments and strategy of framing quality assessments as contained in Central Action plan document for Financial Year 2013-2014 has to be complied with. It is being reiterated that all scrutiny assessments including the cases selected under manual criteria will be completed through AST system software only.
3. The following categories of cases / returns shall be compulsorily scrutinized:-
  - a) Cases where value of international transaction as defined u/s 92B of IT Act exceeds Rs. 15 crores.
  - b) Cases involving addition in an earlier assessment year on the issue of transfer pricing in excess of Rs. 10 Crores or more which is confirmed in appeal or is pending before an appellate authority.
  - c) Cases involving addition in an earlier assessment year in excess of Rs. 10 lacs on a substantial and recurring question of law or fact which is confirmed in appeal or is pending before an appellate authority.
  - d) all assessments pertaining to Survey under section 133A of the IT Act excluding the cases where there are no impounded books of accounts/documents and returned

income excluding any disclosure made during the Survey is not less than returned income of preceding assessment year. However, where assessee retracts the disclosure made during the Survey will not be covered by this exclusion.

- e) Assessment in search and seizure cases to be made under sections 158B, 158BC, 158BD, 153A & 153C read with 143(3) of the IT Act.
  - f) All returns filed in response to notice u/s 147/148 of the IT Act.
  - g) Cases claiming exemption of income u/s 11 or u/s 10(23C) which are hit by proviso(s) to Section 2(15) of IT Act.
  - h) Entities which received Donations from countries abroad in excess of Rs. One crore during the Financial Year 2011-2012 (relevant for the A.Yr. 2012-2013) under the provisions of Foreign Contribution Regulation Act (FCRA). Such Information is maintained by Ministry of Home Affairs and is available on its Website (<http://mha.nic.in/fcra.htm>). Respective Cadre-Controlling chief Commissioners/Directors-General of Income-tax may identify the cases pertaining to their respective jurisdiction after downloading from the website and disseminate the information to various field offices.
  - i) Cases in respect of which information is received from other Government Department(s) or other authorities pointing out tax-evasion. The Assessing Officer shall record reasons in such cases and take approval from jurisdictional CCIT/DGIT before selecting such case for scrutiny.
4. In order to ensure the quality of assessment orders, CCsIT/DGsIT would evolve suitable monitoring mechanism. They shall analyse at least 50 quality assessments of their respective charges and send the report to respective Zonal Member with copy to Member (IT) with suggestions for improvement by 30th April, 2014. CCsIT/DGsIT would further ensure that cases selected for publication in 'let us share' are picked up from quality assessments as reported.
5. These Instructions may be brought to the notice of all concerned.

(Rohit Garg)

Deputy secretary to Government of India