

**GOVERNMENT OF INDIA  
FINANCE  
LOK SABHA**

UNSTARRED QUESTION NO:2049

ANSWERED ON:12.12.2008

CHARITABLE ACTIVITY

Aaron Rashid Shri J.M.;Goel Shri Surendra Prakash;Mishra Dr. Rajesh Kumar

**Will the Minister of FINANCE be pleased to state:**

- (a) whether Government is considering a proposal to redefine and narrow the concept of "charitable activity" to ensure that only deserving organizations become eligible for such benefits;
- (b) if so, complete details in this regard;
- (c) whether many charitable trusts are misusing the tax benefits; and
- (d) if so, the details thereof and the action taken by the Government against them during the last three years?

**Answer**

MINISTER OF STATE IN THE MINISTRY OF FINANCE:(SHRI S.S. PALANIMANICKAM)

(a)& (b) No such proposal is under consideration at present. Clause 15 of Section 2 of the Income- tax Act, 1961, which defines the term 'charitable purpose', has already been amended by Finance Act, 2008. After the amendment, which is effective from 1st April, 2009, advancement of 'any other object of general public utility' shall no longer be considered charitable if it involves carrying on of commercial or business activities for monetary consideration.

(c) &(d) As and when instances of misuse of the tax exemption provisions are noticed, necessary remedial measures are taken. For example, keeping in view the suggestions made in the Final Report (December 1971) of Direct Taxes Enquiry Committee, observations made by the Public Accounts Committee (2005-06) in its Fourteenth Report (Assessment of Private Schools, Colleges and Coaching Centres) and recommendations received from field-formations, an amendment was made to the Income-tax Act, 1961 through Finance Act, 2006 by introducing section 115 BBC to tax anonymous donations in certain cases in order to deter the channelization of unaccounted money to charitable institutions in the guise of anonymous donations.