

**GOVERNMENT OF INDIA
FINANCE
LOK SABHA**

UNSTARRED QUESTION NO:2231
ANSWERED ON:06.08.2010
TAX ON DONATION TO MADICAL INSTITUTIONS/COLLEGES
Yadav Shri M. Anjan Kumar

Will the Minister of FINANCE be pleased to state:

- (a) whether the Government is contemplating a tax on donations received by the medical institutions/colleges; and
- (b) if so, the details thereof ?

Answer

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

(a)& (b) A donation received is an income of a trust or institution under the Income-tax Act, 1961. However, subject to fulfillment of specified conditions laid down under sections 11 to 13 or section 10(23C) of the Act, the income of a charitable organization which receives donations is not taxed. Such an institution may include a medical institution or college.

Also as per the existing provisions of section 115BBC, an anonymous donation received by:-

- (i) a wholly charitable entity or
- (ii) a partly religious and partly charitable entity directed towards hospital or other medical institution run by such entity shall be taxed at the rate of 30% on the aggregate amount of anonymous donation received in excess of 5% of the total donations received or Rs. one lakh, whichever is higher.

The Direct Taxes Code and Discussion Paper released for public comments in August 2009 proposed a tax at the rate of 15% in the case of non-profit organization on their surpluses. The revised discussion paper released in June, 2010 proposed that this tax would be levied after allowing for accumulation of surpluses to the extent of 15% of the surplus or 10% of gross receipts, whichever is higher and after also allowing an exemption limit beyond which the taxation of the surplus would be applicable.