



Lions Clubs International
FOUNDATION

Finance Act Amendment 2023 FAQ



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This document aims to serve as a reference guide for all Lion members and provide an overview on the Indian Finance Act Amendment- 2023 and its significance to the grant process in India.

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1. INTRODUCTION

This document aims to serve as a reference guide for all Lion members and provide an overview on the amendment carried out through the Finance Act- 2023 and explain its significance to the LCIF grant process in India.

2. WHAT IS FINANCE ACT 2023 AMENDMENT?

The Finance Act is a fiscal legislation enacted by the Indian Parliament to give effect to the financial proposals of the Central Government.

It is enacted once a year and contains provisions relating to income taxes, customs, excise, Central and Integrated GST and other cess, exemptions, and reliefs.

Prior to introduction of the amendment, Trusts and institutions could claim tax exemption when:

- At least 85% of income of the trust or institution was applied during the year for charitable purposes.
- Balance 15% was allowed as accumulation.

This amendment was introduced in 2023 and the relevant clause to be considered by LCIF India is as follows:

Clause (iii) of Explanation. 4 to Section. 11(1):

“(iii) any amount credited or paid, other than the amount referred to in Explanation 2, to any fund or trust or institution or any university or other educational institution or any hospital or other medical institution referred to in sub-clause (iv) or sub-clause (v) or sub-clause (vi) or sub-clause (via) of clause (23C) of section 10, as the case may be, or other trust or institution registered under section 12AB, as the case may be, shall be treated as application for charitable or religious purposes only to the extent of eighty-five per cent of such amount credited or paid.”

The Amendment states that if one tax exempt charitable organization provides a grant to another tax-exempt charitable organization, only eighty-five per cent of such a grant will be considered as application of income for the donor charitable organization. This amendment is applicable from the fiscal year 2023-2024 onwards.

For further reference, the link to the Finance Act Amendment 2023 is mentioned below:

https://incometaxindia.gov.in/budgets%20and%20bills/2023/finance_bill.pdf

3. APPLICABILITY OF THE AMENDMENT - FINANCE PERSPECTIVE

1) If the Grantee is **not** a Trust:

- A) If the Entity (Grantee), under whose name the bank Account is opened, is not registered under section 12 AB and or Section 10(23) of Income Tax Act 1961 and does not fall under tax-exempt status i.e. Not registered using the PAN of a Trust, then the Grantee may be liable to pay taxes resulting from the receipt of grant funds from LCIF India as per the law of the Land.
- B) Tax implications, if any, from further transferring the grant funds to a Project Account (Wherever project account is applicable), should be evaluated by the Grantee.

2) If the Grantee **is** a Trust:

- A) If the Entity (Grantee), under whose name the bank Account is opened, is registered under section 12 AB and or section 10 (23) of Income Tax Act 1961 and falls under tax-exempt status, i.e. registered using the PAN of a Trust- there should be no tax implications resulting from the receipt of the grant funds from LCIF India
- B) On further transferring the grant funds from a Trust Account to a Project Account, the following should be considered from a tax perspective:
 - When funds are transferred to Trust Project-account, only 85% of the total transferred amount will count as applied for charitable purposes (application of income)
 - When a grant is given to a non-trust, 100% of the total funds transferred will be considered as applied for charitable purposes (application of income).

Note:

The applicability from the finance perspective is subject to changes that may be introduced by the Government from time to time.

4. APPLICABILITY OF THE AMENDMENT - GRANT PROCESS PERSPECTIVE

In order to comply with Finance Act Amendment 2023, LCIF India Grantees will be required to submit the below additional pre-disbursement documents:

Grantee Bank Status Form

If Grantee is a **Trust**: The certificate of registration mentioning section of Income Tax Act and validity period.

If Grantee is a **Non-trust**: Declaration (this template will be provided by LCIF to the Grantee) confirming the non-trust status, printed on the District / Multiple District/ Club letterhead, with signatures of the officers.

5. FREQUENTLY ASKED QUESTIONS (FAQS)

1. Does the Finance Act Amendment 2023, affect the criteria of approving grants?

No. The Finance Amendment Act does not impact the grant approval process. The grant approval process is same as mentioned in Grants toolkit.

URL: <https://www.lionsclubs.org/en/lcif-grants-toolkit>

2. How does the new amendment impact the overall grant process?

The grantee will need to provide additional document for the disbursement of the fund i.e. - Grantee Bank Status Form (Trust/ Non-Trust).

3. Which are the additional documents, that will have to be submitted?

Grantee Bank Status Form needs to be submitted which are as below:

- For Trust Account: The certificate of registration mentioning section of Income Tax Act and validity period.
- For Non-Trust Account: Declaration (this template will be provided by LCIF to the Grantee) endorsed by the the Council of Governors (for MD grantees) or District Cabinet (for district grantees) or Club Officers (for Club grantees) confirming the non-trust status of the Grantee Bank account.

4. What if I cannot confirm if the Bank account is registered as Trust or Not?

For the disbursement of the funds, the project committee will have to submit the Grantee Bank Status Documents (Trust/ Non-Trust), as it is a mandatory document without which the disbursement of the funds will not take place.

The status may be verified/confirmed by the Club/ District / Multiple District Treasurer. (MD/ District/ Club Leadership) by seeking guidance from your Chartered Accountant/ Tax Consultants

Alternatively, it can be verified using the link of the Income Tax Department website:

<https://incometaxindia.gov.in/Pages/utilities/exempted-institutions.aspx>

On clicking on the link, the below page will appear where you can input the Pan Number used to register the Bank Account and then click Search button.

The screenshot shows the Income Tax Department website. At the top left is the logo of the Income Tax Department, Ministry of Finance, Government of India. Below the logo is a navigation menu with links: Home, About Us, Taxpayers' Charter, Tax Laws & Rules, Tax Information and Services, Tax e-Services, Publicity Campaigns, Contact us, and Feedback. Below the navigation menu is a breadcrumb trail: Income Tax Department > Tax Utilities > Tax Exempted Institutions. The main content area is titled "Exempted Institutions" and includes a sub-header "(Please provide input in any 1 field to search the relevant record)". Below this is a search form with three input fields: "Unique Registration Number (URN)" with a placeholder "Enter complete and correct URN", "Name" with a placeholder "Enter text", and "PAN" with a placeholder "Enter complete and correct PAN". Below the input fields are two buttons: "Search" and "Reset".

If the Account is a Non-Trust, the below message will appear:

The screenshot shows the Income Tax Department website with search results for Exempted Institutions. At the top left is the logo of the Income Tax Department, Ministry of Finance, Government of India. Below the logo is a navigation menu with links: Home, About Us, Taxpayers' Charter, Tax Laws & Rules, Tax Information and Services, Tax e-Services, Publicity Campaigns, Contact us, and Feedback. Below the navigation menu is a breadcrumb trail: Income Tax Department > Tax Utilities > Tax Exempted Institutions. The main content area is titled "Exempted Institutions" and includes a sub-header "Last Updated : 31 March 2024". Below this is a search form with four input fields: "Unique Registration Number (URN)" with a placeholder "Enter complete and correct URN", "Name" with a placeholder "Enter text", "PAN" with a placeholder "Enter complete and correct PAN", and "Section Number" with a dropdown menu showing "All". Below the input fields are two buttons: "Search" and "Reset". The search results area is empty and displays the message "No results found". Below the search results area is a disclaimer: "Disclaimer: All information provided on this section of the website for displaying of details of exempted institutions under the Income Tax Act is subject to change without notice. Reasonable efforts are taken to ensure the validity, accuracy and integrity of all information provided here. The webmaster makes no warranty, express or implied, or assumes any legal liability or responsibility for the accuracy or completeness of any information contained on this section of the website."

In case the Account is registered as a Trust, it will be displayed as below:

The screenshot shows the Income Tax Department website interface. At the top, there is a navigation menu with links like 'Home', 'About Us', 'Taxpayers' Charter', 'Tax Laws & Rules', 'Tax Information and Services', 'Tax e-Services', 'Publicity Campaigns', 'Contact us', and 'Feedback'. The main content area is titled 'Exempted Institutions' and features a search form on the left with fields for 'Unique Registration Number (URN)', 'Name', 'PAN', 'Section Number', and 'State'. The search results on the right show two records for 'TRUST' entities. A disclaimer is provided below the search results, stating that the information is subject to change without notice and that the webmaster makes no warranty.

5. When should we submit the Grantee Status Form?

The document needs to be submitted along with the Pre-disbursement documents i.e., when the details are provided for the disbursement of the funds.

6. Does the Grantee Bank Status Form be submitted for all types of grants?

Yes. The Grantee Bank Status Documents needs to be submitted for all grants, irrespective of the type of grant.

7. Who are the signatories in case, the Grantee Bank account is a Non trust and the declaration is to be provided?

The declaration needs to be printed on the Club/ District/ Multiple District's Letter head and needs to be endorsed as below:

Grantee	Signatories/ Endorsee
Multiple District	Council Chairperson, Council Secretary/ Council Treasurer
District	District governor, Cabinet Secretary/ Cabinet Treasurer
Club	President, Club Secretary/ Club Treasurer