

I-T Sends Notices Over Donations to Charitable Trusts

Salaried, self-employed, cos among 8k handed notices; tax pros who helped also under lens

Anuradha Shukla
@timesgroup.com

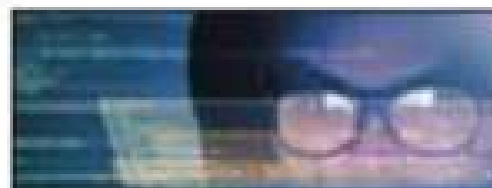
New Delhi: The income tax department has sent notices to about 8,000 taxpayers who have made large donations to charitable trusts, suspecting them to be attempts at tax evasion. Data analytics suggested these taxpayers were making donations disproportionate to their income and expenditure, officials told ET.

Those served notices include salaried and self-employed individuals, apart from companies.

The IT department is also looking into independent tax professionals who facilitated these transactions.

"In all 8,000 odd cases, the donation was exactly the amount required to lower the tax slab or get a full exemption and was paid by cash," a tax official said. "Also, an exceptionally high amount was paid to tax professionals, even by a straight salaried person."

The notices were sent over three weeks from mid-March to early April and were for the assessment years 2017-18 to



Close Watch

Some donations disproportionate to income and expenditure



Cases shortlisted by AI, data analytics



Notices were sent from March 15 to April first week



For assessment years (AY) 2017-18 to 2020-21

2020-21. More notices are likely in the coming weeks.

In the case of businesses, mostly small ones, the amount paid to charitable trusts was out of sync with income, the officials said.

In these transactions, cash contributions are returned to the taxpayer along with a donation receipt after deducting a commission, helping the assessee evade tax, they said.

The department is also tracking charitable trusts that are offering fake bills to taxpayers. While no action has been initiated against them so far, they may lose their tax exemption status if there is wrongdoing.

Data Analytics Being Used

►► From Page 1

Contributions to certain funds and charitable institutions are allowed as deductions from income under Section 80G of the Income Tax Act. Depending on the nature of the institution, 50-100% of the contribution may be allowed as deduction. Such donations are also subject to limits linked to income.

Data analytics is being used to track misuse of some deductions under the old income tax regime, especially Section 80G, along with 80 GGC and 80GGB, which entitle taxpayers to deductions in income tax for donations to charitable trusts and political parties, said

the official cited above.

The income tax department is separately investigating donations to dormant political parties and has already sent several notices.

Budget data shows ₹1,430 crore tax foregone in FY22 on Section 80G contributions by companies.

In the case of individuals and Hindu Undivided Families (HUFs), the revenue foregone on Section 80G donations was ₹1,729 in FY22, up from ₹1,541 in the preceding year.

Tax experts said that while such evasion was possible in the past,

strict compliance and synchronised data collection by the tax department will make it difficult with measures such as disallowing donations above ₹2,000 in cash.

"Further, in order to bring more transparency and ensure deduction under Section 80G claimed by the taxpayers is true and correct, from FY22 onwards the government prescribed certain forms via Form 10BD and 10BE to be furnished by charitable trusts and institutions on or before May 31, immediately following the financial year in which the donation is received," said Sanjoli Maheshwari, director, tax, Nangia Andersen India said. "Therefore, only after verification of the donations from the said forms, the deductions shall now be available."

