

NEW PROVISIONS OF INCOME TAX ACT 2025

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OVERVIEW OF REGISTRATION FRAMEWORK FOR NPOs



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OVERVIEW OF REGISTRATION FRAMEWORK FOR NPOs

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SUMMARY

- 1.01** Section 332 of the Income-tax Act, 2025 introduces a unified and comprehensive framework governing registration of non-profit organisations, replacing the fragmented regimes that existed under the Income-tax Act, 1961.
- 1.02** Under the earlier law, exemptions were available through two parallel regimes: approval-based exemptions under section 10(23C) and registration-based exemptions under sections 11, 12 and 12AB, which have now been consolidated under section 332 of the ITA 2025.
- 1.03** Approval-based exemption categories under section 10(23C) have been subsumed into the registration framework under section 332, while automatic exemption categories have been relocated to Schedule-based exemption read with section 11 of ITA 2025.
- 1.04** Section 332 serves as the central procedural gateway for availing an exemption under the special tax regime applicable to registered non-profit organisations set out in Part B of Chapter XVII.
- 1.05** The provision lays down a comprehensive code covering eligible applicants, substantive eligibility conditions, timelines and categories of registration, condonation of delay, extended validity for small NPOs, and the procedure for inquiry and grant or rejection of registration.
- 1.06** Under section 332(3) the timelines for processing registration applications vary by applicant status. For instance, for provisional registration where the activities of the applicant have not commenced, the timeline for granting registration is 1 month from the end of the month in which the application is made. And for regular registration and all other registration the timeline for granting registration is 6 months from the end of the quarter in which the application is made. A detailed table is provided in *Annexure 1*.

For detail refer the book "Trusts & NPOs - Ready Reckoner", 2026 Edition
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- 1.07** Section 332(9) provides for the regularisation of expired registrations granted before 1st April 2021 under the ITA 1961, where the delay in making the application is condoned for reasonable cause. Such regularisation is valid for 5 years from FY 2021-22, *i.e.*, upto FY 2025-26.
- 1.08** The procedural framework is supplemented by Rule 181 of the Income-tax Rules, 2026, which prescribes Forms 104 and 105 for applications and Forms 106 and 107 for orders for registration.

INTRODUCTION AND TABLE COMPARING OLD PROVISIONS

- 2.01** Section 332 of the Income-tax Act, 2025 contains the comprehensive code governing registration of non-profit organisations and serves as the foundational gateway for availing exemption under the special tax regime. The registration related sections which were scattered over section 11, 12A, 12AB, and 115TD have been consolidated provided under section 332 of ITA 2025.
- 2.02** The provisions dealing with registration under section 332 of the ITA 2025 *vis-à-vis* provisions under ITA 1961 are as follows:

ITA 2025	ITA 1961
Section 332(1)	No corresponding provision
Section 332 (2)	Section 11(1)(a) & (b)
Section 332(3)	Sections 12A(1) & 12AB
Section 332(4)	Proviso to Section 12A(1)(a)
Section 332(5)	Proviso to Section 12AB(1)
Section 332(6)	Section 115TD(3)(iii)
Section 332(7)	Section 12AB(1)
Section 332(8)	Section 12AB(1)
Section 332(9)	Section 12A(1)

OVERVIEW OF OLD PROVISIONS UNDER THE ITA 1961

- 3.01** Under the ITA 1961, charitable and religious institutions could claim exemption primarily under two distinct regimes:
- (a) *Section 10(23C)*: This provision provided exemptions for specified funds, universities, educational institutions, hospitals, and certain other notified entities, with sub-clauses covering approval-based and automatic exemption categories.
 - (b) *Section 11 read with Sections 12, 12A, 12AA/12AB and 13*: A registration-based regime applicable to “property held under trust wholly for charitable or religious purposes,” with exemptions allowed on application or accumulation of income for such purposes.
- 3.02** The ITA 2025 consolidates and reorganises these regimes by placing non-approval-based exempt categories in Schedules II to VII (read with Section 11), and by migrating approval-based exemption categories into a unified registration framework under section 332.
- 3.03** ***Approval-based exemption under section 10(23C)***: Section 10(23C) of the ITA 1961 provided tax exemption for income received by any person on behalf of specified funds, universities, educational institutions, hospitals, and certain other notified bodies. Certain categories enjoyed automatic exemption (no approval required), such as wholly or substantially government-financed universities and hospitals, while others required approval from the Principal Commissioner or Commissioner to secure exemption.
- 3.04** The Finance (No. 2) Act, 2024, effective from 01-10-2024, amended the exemption process under section 10(23C) to shift from approval-based to registration-based exemption under section 12A. After 1st October 2024, no new or provisional approvals under section 10(23C) can be applied for. However, entities already holding valid approvals under Section 10(23C) continue to be governed by the existing approval regime until the expiry of the validity period of such approval.

- 3.05** Under the ITA 2025, these approval-based categories are subsumed within the unified registration framework under section 332, thereby replacing the earlier dual-track system.
- 3.06** ***Non-approval exemption under Section 10(23C):*** Apart from approval-based categories, Section 10(23C) also contained certain automatic exemption categories that did not require prior approval. These included, *inter alia*, universities and hospitals wholly or substantially financed by the Government, and certain educational or medical institutions that satisfied prescribed receipt thresholds.
- 3.07** Under the ITA 2025, these automatic exemption categories have been re-located to Schedule VII (read with Section 11), particularly Items 17, 18 and 19. The substantive conditions, such as educational or philanthropic purpose and monetary threshold limits, remain largely consistent with the earlier framework.
- 3.08** Thus, while the statutory placement has changed, the non-approval-based exemption regime continues under the ITA 2025 in the form of a Schedule-based exemption rather than as a standalone substantive provision.
- 3.09** ***Registration-based exemption under sections 11 and 12:*** Section 11 of the ITA 1961 exempted income derived from property held under trust wholly for charitable or religious purposes, to the extent applied or accumulated for such purposes in India.

REGISTRATION FRAMEWORK UNDER THE ITA 2025

- 4.01** Under the ITA 2025, the framework is restructured. The exemption principle is preserved, but operational provisions are merged into Part B of Chapter XVII (“Special Provisions for Registered Non-Profit Organisation”), with registration governed exclusively by Section 332. It absorbs and replaces multiple provisions of the ITA 1961 (Sections 12A, 12AB, approval provisions of Section 10(23C)), creating a unified procedural code for registration.

4.02 Section 332 is the central procedural gateway for any NPO seeking exemption under the ITA 2025 (except for certain automatic exemption categories under the Schedules).

4.03 Section 355(f) defines registration as follows:

“(f) “registration” includes provisional registration, provisional approval or approval, as referred to in the second proviso to section 10(23C) or 12AB (1) of the Income-tax Act, 1961 and under section 332, but shall not include approval under the second proviso to section 80G(5) of the said Act or section 354;”

4.04 Furthermore, Section 355(g) defines a registered NPO as follows:

‘(g) “registered non-profit organisation” means any person having a valid registration under any specified provision and such registration has not been cancelled;’

4.05 A common question arises as to whether charitable or religious institutions already registered under section 12AB of the ITA 1961 are required to obtain a fresh registration under section 332 of the ITA 2025. On a plain reading of the provision, the answer is in the negative. On a conjoint reading of clauses (f) and (g) of Section 355, these definitions indicate that existing registrations under Section 12AB or Section 10(23C) of the ITA 1961 shall be deemed valid for purposes of the ITA 2025 until the expiry of their registration period under the ITA 1961. Accordingly, there is no requirement for institutions already registered under Section 12AB to re-register under Section 332 during their current validity period. Thus, the ITA 2025 preserves the continuity of status for existing NPOs, avoiding unnecessary duplication of registration processes.

4.06 Section 332 of the ITA 2025 provides the following provisions for the registration of an NPO:

- (a) Eligible applicants
- (b) Eligibility criteria
- (c) Time limits and categories of registration

- (d) Acceptance of belated applications
- (e) Extended validity for Small NPOs
- (f) Procedure and Inquiry before granting registration
- (g) Re-registration of Pre-2021 Entities

ELIGIBLE APPLICANTS UNDER SECTION 332(1)

5.01 The following persons may apply for registration as a registered non-profit organisation in the prescribed form and manner to the Principal Commissioner or Commissioner:

- (a) Public trusts;
- (b) Societies registered under the Societies Registration Act, 1860 or any State law;
- (c) Companies registered under Section 8 of the Companies Act, 2013 (or Section 25 of the 1956 Act) and deemed to have been registered in pursuance of Section 465(2)(g) of the Companies Act, 2013;
- (d) Universities established by law or educational institutions recognised by the Government;
- (e) Government or local authority-financed institutions;
- (f) Persons specified in relevant Schedules; or
- (g) Any other person notified by the Board.

ELIGIBILITY CRITERIA UNDER SECTION 332(2)

6.01 An entity qualifies for registration under the ITA 2025 if:

- (a) It is constituted/registered/incorporated in India for charitable purposes or public religious purposes;
- (b) Its properties are held under an irrevocable trust for the benefit of the general public, wholly for charitable or religious purposes in India; and

- (c) Its properties are held under an irrevocable trust for the benefit of the general public, partly for charitable or religious purposes in India (only if established before the commencement of the ITA 1961).

TIME LIMITS AND CATEGORIES OF REGISTRATION UNDER SECTION 332(3)

7.01 The timelines for registration applications vary by applicant status. For instance, for provisional registration where the activities of the applicant have not commenced, the timeline for granting registration is 1 month from the end of the month in which the application is made. And for regular registration and all other registration the timeline for granting registration is 6 months from the end of the quarter in which the application is made. A detailed table is provided in *Annexure 1*.

CONDONATION OF DELAY UNDER SECTION 332(4) AND 332(6)

8.01 Section 332(4) of the Income-tax Act, 2025 empowers the Principal Commissioner or Commissioner to condone a delay in filing an application for registration where the applicant demonstrates reasonable cause for such delay.

8.02 Further, Section 332(6) provides that where an application for registration is not made within the time specified in Annexure 1 in respect of the following categories, and the delay in filing such application is not condoned, such a person shall be liable to pay tax on accreted income under section 352.

- (a) Conversion of Provisional to Regular Registration (post commencement of activity)
- (b) Conversion of Provisional to Regular Registration (provisional registration period is due to expire)
- (c) Renewal of Regular Registration
- (d) Modification of Objects

EXTENDED VALIDITY OF SMALL NPOs UNDER SECTION 332(5)

9.01 If an applicant (other than a first-time applicant) has total income (before exemptions) not exceeding Rs. 5 crore in each of the two preceding tax years, the registration shall be valid for 10 years (as opposed to 5 years). Accordingly, the benefit of extended validity will be available to the following categories of applicants:

- (a) Entities with provisional registration that have commenced activities.
- (b) Entities whose provisional registration is expiring but have not commenced activities.
- (c) Entities whose registration is due to expire.
- (d) Entities whose registration has become inoperative due to a regime switch.
- (e) Entities that have adopted or undertaken modifications to their objects that do not conform to the conditions of registration.

9.02 The benefit of extended validity will not be available to the following categories of applicants:

- (a) Entities that have not yet commenced activities and were never registered under any specified provision.
- (b) Entities that have commenced activities but were never registered under any specified provision.

PROCEDURE AND INQUIRY UNDER SECTION 332(7) AND 332(8)

10.01 For applications other than provisional registration, the Principal Commissioner or Commissioner may:

- (a) Call for documents, conduct inquiries, and assess compliance with

such requirements of any other law as are material for the purpose of achieving its objectives.

- (b) If satisfied with the objects, the genuineness of the activities and compliance with the requirements of any other law in force, grant registration by passing a written order.
- (c) If not satisfied, issue a written rejection order after providing the applicant an opportunity to be heard.
- (d) If rejecting a subsequent application, *i.e.* conversion of provisional registration, regular registration renewal, or registration on modification of objects, cancel the registration as well.

10.02 A copy of the order shall be in the prescribed form, manner and communicated to the applicant and the Assessing Officer. However, if an application is made for provisional registration, the Principal Commissioner or Commissioner shall grant the registration without inquiry solely based on the application.

RE-REGISTRATION OF PRE-2021 ENTITIES UNDER SECTION 332(9)

11.01 Section 332(9) provides for the regularisation of expired registrations granted before 1st April 2021 under the ITA 1961, where the delay in making the application is condoned for reasonable cause. Such regularisation is deemed valid for 5 years from FY 2021-22, *i.e.*, up to FY 2025-26.

11.02 However, this provision raises concerns about its practical utility, as the validity period extends only to AY 2026-27, whereas the ITA 2025 comes into effect from 1st April 2026, corresponding to Assessment Year 2027–28. As a result, the effective benefit of the five-year regularisation period expires before the new Act becomes operative, compelling affected entities to seek fresh registration almost immediately upon transition to the new regime.

FORMS FOR REGISTRATION APPLICATIONS

12.01 Rule 181 of the Income-tax Rules, 2026 prescribes that an application for provisional registration shall be furnished in Form No. 104, while applications relating to other categories of registration are required to be made in Form No. 105.

12.02 The rules and forms governing NPO registration provisions under the Income-tax Rules, 2026 vis-à-vis the corresponding provisions under the Income-tax Rules, 1962 are summarised below:

Compliance/Subject	IT Rules/ Forms 1962	IT Rules/ Forms 2026
Registration	Rule 17A	Rule 181
Fresh/Provisional Registration	Form 10A	Form 104
Regular Registration/Renewal	Form 10AB	Form 105
Order for Provisional Registration	Form 10AC	Form 106
Order for Regular Registration	Form 10AD	Form 107

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Annexure 1

The timelines for registration applications vary by applicant status. The following table outlines the applicable deadlines, processing timelines, and validity periods:

<i>Category</i>	<i>Description</i>	<i>Time Limit to Apply</i>	<i>Time Limit to Pass Order</i>	<i>Validity of Registration</i>
Provisional Registration	For entities that have not yet commenced activities and were never registered under any specified provision.	Any time during the tax year from which registration is sought.	Within 1 month from the end of the month in which the application is made.	3 tax years from the tax year in which the application is made.
Regular Registration	For entities that have commenced activities but were never registered under any specified provision.	Any time during the tax year from which registration is sought.	Within 6 months from the end of the quarter in which the application is made.	5 tax years from the tax year in which the application is made.
Conversion of Provisional to Regular Registration (post commencement of activity)	For entities with provisional registration that have commenced activities.	Within 6 months of the commencement of activities.	Within 6 months from the end of the quarter in which the application is made.	5 tax years from the tax year in which the application is made.

<i>Category</i>	<i>Description</i>	<i>Time Limit to Apply</i>	<i>Time Limit to Pass Order</i>	<i>Validity of Registration</i>
Conversion of Provisional to Regular Registration (provisional registration period is due to expire)	For entities whose provisional registration is expiring but have not commenced activities.	At least 6 months prior to the expiry of provisional registration.	Within 6 months from the end of the quarter in which the application is made.	5 tax years following the tax year in which the application is made.
Renewal of Regular Registration	For entities whose registration is due to expire.	At least 6 months prior to the expiry of registration.	Within 6 months from the end of the quarter in which the application is made.	5 tax years following the tax year in which the application is made.
Reactivation of Registration (after switching exemption regime)	For entities whose registration became inoperative due to a regime switch.	Any time during the tax year from which reactivation is sought.	Within 6 months from the end of the quarter in which the application is made.	5 tax years from the tax year in which the application is made.
Modification of Objects	For entities that have adopted or undertaken modification of their objects which do not conform to the conditions of registration.	Within 30 days of the date of such adoption or modification.	Within 6 months from the end of the quarter in which the application is made.	5 tax years from the tax year in which the application is made.