

BUDGET 2025

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Standards & Norms

Resource support on NGO Governance, Accounting and Regulations

RELIEF REGARDING DISCLOSURE OF THE DETAILS OF DONORS



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INTRODUCTION

1.01 The Finance Bill 2025 has amended the definition of **specified persons** under Section 13(3) concerning persons who have made substantial contributions to an organisation in the preceding year or earlier. Currently, any donor who has contributed a total of Rs. 50,000 or more across all preceding years is considered a specified person. This provision had become outdated, as Rs. 50,000 is a relatively small amount in today's context to classify a donor as an interested person. The Finance Bill 2025 proposes to increase this limit to Rs. 1 lakh for contributions made during the relevant previous year or exceeding Rs. 10 lakh in aggregate up to the end of the relevant previous year.

RATIONALE AND PURPOSE OF THE AMENDMENT

2.01 The memorandum to the Finance Bill 2025 provides the rationale and purpose as follows:

Section 13 of the Act, inter alia, provides that section 11 or section 12 shall not apply to exclude any income from the total income of trust or institution, if such income enures, or such income or any property of the trust or the institution is used or applied, directly or indirectly for the benefit of any person referred to in sub-section (3), which inter alia are as following –

- *any person who has made a substantial contribution to the trust or institution, that is to say, any person whose total contribution up to the end of the relevant previous year exceeds fifty thousand rupees;*
- *any relative of any such person as aforesaid;*
- *any concern in which any such person as aforesaid has a substantial interest.*

2. Suggestions have been received that there are difficulties in furnishing certain details of persons other than author, founder, trustees or manager etc. who have made a 'substantial contribution to the trust or institution', that is to say, any

person whose total contribution up to the end of the relevant previous year exceeds fifty thousand rupees. These details are about their relatives and the concerns, in which they are substantially interested.

The amendment of the Rs. 50,000 limit was long overdue, as it had become impractical to report and disclose such information effectively.

THE EXISTING SECTION 13(3) OF THE INCOME TAX ACT

3.01 The existing section 13(3) of the Income Tax Act with emphasis on the contentious provisions is provided as under:

“(a) the author of the trust or the founder of the institution;

(b) [any person who has made a substantial contribution to the trust or institution, that is to say, any person whose total contribution up to the end of the relevant previous year exceeds [fifty thousand rupees;]

“(b) any person whose total contribution to the trust or institution, during the relevant previous year exceeds one lakh rupees, or, in aggregate up to the end of the relevant previous year exceeds ten lakh rupees, as the case may be;”

(c) where such author, founder or person is a Hindu undivided family, a member of the family;

(cc) [any trustee of the trust or manager (by whatever name called) of the institution;]

(d) any relative of any such author, founder, **person**, [member, trustee or manager] as aforesaid;

(e) any concern in which any of the persons referred to in clauses (a), **(b)**, [(c), (cc)] and **(d)** has a substantial interest.”

PROPOSED AMENDED SECTION 13(3) w.e.f. 01.04.2025

4.01 The clause (b) of section 13(3) has been amended, for sake of clarity the existing clause and the proposed clause are reproduced as under.

The existing section 13(3)(b) which shall be deleted is as under:

“(b)[any person who has made a substantial contribution to the trust or institution, that is to say, any person whose total contribution up to the end of the relevant previous year exceeds [fifty thousand rupees;]”

The proposed section 13(3)(b) which shall be inserted is as under:

*“(b) any person whose total contribution to the trust or institution, during the relevant previous year exceeds **one lakh rupees**, or, in aggregate up to the end of the relevant previous year exceeds **ten lakh rupees**, as the case may be;”*

4.02 The clause (d) of section 13(3) has been amended, for sake of clarity the existing clause and the proposed clause are reproduced as under:

The existing section 13(3)(d) which shall be deleted is as under:

*“(d)any relative of any such author, founder, **person**, [member, trustee or manager] as aforesaid;”*

The proposed section 13(3)(d) which shall be inserted is as under:

“(d)any relative of any such author, founder [member, trustee or manager] as aforesaid;”

The word “person” has been deleted from clause (d) which implies that the relative of a donor will no longer be covered.

4.03 The clause (e) of section 13(3) has been amended, for sake of clarity the existing clause and the proposed clause are reproduced as under:

The existing section 13(3)(e) which shall be deleted is as under:

*“(e)any concern in which any of the persons referred to in clauses (a), **(b)**, [(c), (cc)] and **(d)** has a substantial interest.”*

The proposed section 13(3)(e) which shall be inserted is as under:

“(e)any concern in which any of the persons referred to in clauses (a), [(c), (cc)] and (d) has a substantial interest.”

The clause (b) has been deleted from the above clause which implies that the entities in which a donor has substantial interest will no longer be covered.

UNDERSTANDING THE AMENDMENTS TO SECTION 13(3)

5.01 The Finance Bill 2025 proposes the following amendments to Section 13(3) of the Income-tax Act:

(a) Revised Contribution Limits:

Clause (b) is substituted to state that a person will be classified as a specified person if their total contribution to the trust or institution:

- Exceeds Rs. 1 lakh in the relevant previous year, or
- Exceeds Rs. 10 lakh in aggregate over all preceding years up to the relevant previous year.

(b) Exclusion of relatives from specified persons:

Clause (d) is amended to remove the reference to “person,” thereby excluding the relatives of donors from the definition of specified persons.

(c) Exclusion of Concerns with Substantial Interest:

Clause (e) is modified to exclude any concern in which such a donor has a substantial interest from being classified as a specified person under Section 13(3).

IMPACT OF THE AMENDMENT

6.01 The Finance Bill 2025 effectively introduces three significant changes to the definition of a specified person:

- (a) A donor will now be treated as a specified person only if they have donated Rs. 1 lakh or more in the relevant previous year or have contributed more than Rs. 10 lakh in aggregate over all preceding years.
- (b) The relatives of a donor will no longer be classified as specified persons.
- (c) Any business or entity in which such a donor has a substantial interest will also be excluded from the definition of specified persons.

These amendments provide much-needed relief, as the previous definition was arbitrary and impractical. For instance, organisations were previously required to disclose information about the relatives of donors who contributed Rs. 50,000 decades ago, which is impossible. This change removes a burdensome and largely ineffective provision, making compliance more feasible.

WHAT HAPPENS IF HUF IS ONE OF THE SUBSTANTIAL CONTRIBUTORS?

- 7.01** What happens if HUF is one of the substantial contributors: whether list of relative or concern in which HUF has substantial interest has to be given or not.
- 7.02** In our opinion, if an HUF falls in the category of an interested person only as a donor then there will be no requirement of any disclosure with regard to list of relative or concern in which HUF has substantial interest. The proposed amendment categorically exclude all category of donors, in other words, the requirement of disclosure with regard to list of relative or concern with substantial interest shall not apply for all category of donors including HUF.

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