

“Income” as defined u/s 2(24) of Income Tax Act, includes capital gains. So, capital gains are also considered as part of the income. Therefore, in such scenario, all NPOs have two options:

- (i) They can apply 85% of Capital Gains for charitable purposes;
- (ii) The Income Tax Act has provided another option u/s 11(IA), whereby if the entire amount of net consideration is re-invested in another capital asset, it will be treated as a valid application of income. However, if only part of the net consideration is invested, the appropriate fraction will be deemed to have been applied for charitable purposes.

**DO YOU KNOW?**



**Capital Gains for NPOs are also considered part of the Income, subject to 85% application or re-investment of the entire sale proceeds.**

