

FAQs on relief measures announced by Finance Ministry amidst the Covid-19 pandemic and its impact on charitable organizations



What is the objective of financial package announced by the Honorable Finance Minister amid the Covid-19 pandemic?

Answer:

The objective is to reduce the burden of compliance during the period of national lockdown as announced by Honorable Prime Minister. It aims to reduce the hardships of taxpayers by giving them sufficient time for various legal and statutory compliances and availing of benefits under various Acts.



The income tax return has been said to be extended for AY 19-20. However, the due dates for filing such returns for all categories of person are already over. So, for which returns such extension has been announced?

Answer:

As per the provisions laid down vide Section 139(4) and Section 139(5) of the Income Tax Act, any person who was liable to file return within the prescribed time limit u/s 139(1) but failed to do so, or has so filed the return but due to some inadvertent error want to revise the return, are allowed to do so under the aforesaid sections respectively, upto the end of the relevant assessment year for which the return has to be filed i.e. 31st March.

So, in short, belated return u/s 139(4) and Revised return u/s 139(5) for the AY 2019-20, the due date for which was 31-03-2020, can now be filed till 30-06-2020.



How much interest have to be paid for delayed payment of income tax, if any, at the time of filing belated returns?

Answer:

The interest for delayed payment of income tax has been reduced from 12% p.a. to 9% p.a. But since charitable organizations are exempt from tax as per the provisions of Section 11 and 12 of the Income Tax Act, no interest shall be levied.



Whether penalty for delayed filing of income tax return shall now be levied?

Answer:

Yes, the penalty for delayed filing of income tax return u/s 234F, is still applicable and has not been waived off by the Finance Ministry or Central Board of Direct Taxes (CBDT). Accordingly, the same shall be levied.

Even for charitable organizations, being exempt from income tax, Rs. 1,000 shall be levied for delayed furnishing of income tax return.



Can the PAN and Aadhaar be now linked even after 31st March, 2020?

Answer:

Yes, the due date for linking the PAN and Aadhaar has again been extended from its previous due date of 31-03-2020 to 30-06-2020.



The due date for payment of assessed tax under the “The Vivaad se Vishwas Scheme” was 31-03-2020? Whether the organizations who were unable to file the declaration can avail the benefit now?

Answer:

Yes, the due date for availing “The Vivaad se Vishwas Scheme” has now been extended up to 30-06-2020.

So, the organizations who were unable to file the declaration or pay the tax so assessed under the scheme can now do so up to 30-06-2020.



Will additional 10% of the tax amount, as specified in the scheme, needs to be paid, if the declaration is filed after 31-03-2020?

Answer:

No, the payment of additional 10% which was liable to be paid if the scheme is availed after 31-03-2020 but before 30-06-2020 as per the rules of the scheme, is now waived off by the government.



Whether the due date for payment of TDS for the month of March has also been extended?

Answer:

No, the due date for payment of TDS for the month of March, 2020 has not been extended. So, all organizations have to deposit TDS deducted in the month of March within 30-04-2020.



Whether interest have to be paid in case of delayed payment of TDS?

Answer:

Yes, the interest on delayed payment of TDS is still applicable and have to be paid, if the deposit is done after the prescribed due date. However, the government has reduced the rate of interest on such delayed payment from 18% to 9% i.e. from 1.5% to 0.75% per month or part of the month.



Whether interest for non-deduction of TDS in the month of March has also been reduced?

Answer:

No, the interest for non-deduction of TDS has not been reduced. Accordingly, the organizations have to comply with the TDS provisions related to deduction as applicable or interest @1% p.m. from the date on which deduction should have been made shall also be applicable, in addition to interest on delayed payment of TDS.



In case the time limit of 5 years for the amount accumulated or set apart u/s 11(2) is said to expire on 31-03-2020, whether it can be applied before 30-06-2020 to avoid disallowance and payment of taxes on unspent amount?

Answer:

The matter has not been covered specifically and accordingly the said amount should have been applied before 31-03-2020.

However, in our view, since it has been mentioned that the due date for all the compliances under Income Tax Act which is said to expire between 20-03-2020 to 29-06-2020, is extended to 30-06-2020, such accumulation should also be allowed to be applied till 30-06-2020. The CBDT or Ministry of Finance should soon come up with a circular, notification or clarification on this matter to avoid dispute in interpretation. In order to reduce undue hardships to charitable organization, such extension of allowing the application shall be highly appreciated.



Since banking operations are on, if the charitable organization receives any funds during this lockdown period and is unable to apply the requisite 85% of the total income, whether it can apply the same till the extended due date of 30-06-2020?

Answer:

The matter has not been covered specifically and accordingly the applications done after 31-03-2020 might not be considered for the FY 2019-20.

However, in our view, considering that the due date for all limitations and compliances under the Act have been extended to 30-06-2020, the application of income for the calculation of 85% for the FY 2019-20, should also be allowed till 30-06-2020. The CBDT or Ministry of Finance should soon come up with a circular, notification or clarification on this matter to avoid dispute in interpretation. In order to reduce undue hardships to charitable organization, such extension of allowing the application shall be highly appreciated.



As per the Circular 10/2019 dated 22.05.2019, the CBDT condoned the delay for AY 2016-17 & 2017-18 and directed to dispose the applications before 30-09-2019. Again vide Circular 28/2019 dated 27.09.2019, it extended the date for disposal of such applications to 31-03-2020. Whether this date can also be deemed to be extended to 30-06-2020?

Answer:

The matter has not been covered specifically and accordingly the said disposals should have been done before 31-03-2020.

However, in our view, since it has been mentioned that the due date for all the approval orders under Income Tax Act, the due date for which is falling within the period 20-03-2020 to 29-06-2020, is extended to 30-06-2020, the CIT (Exemptions) should also get sufficient time for disposal of such condonation applications till 30-06-2020. The CBDT or Ministry of Finance should soon come up with a circular, notification or clarification on this matter to avoid dispute in interpretation. In order to reduce undue hardships to charitable organization, such extension of allowing the application shall be highly appreciated.



If the organization has set apart or exercised option as per Explanation to Section 11(1) for a particular amount in the previous year 2018-19, whether the extended period is also applicable to such amount?

Answer:

Again, the matter has not been covered specifically and accordingly the said application along with the 85% of the income for FY 2019-20, should have been applied before 31-03-2020.

However, in our view, since it has been mentioned that the due date for all the limitations and compliances under Income Tax Act is extended to 30-06-2020, the extended period should also be granted for the amount so set apart as per Explanation to Section 11(1). The CBDT or Ministry of Finance should soon come up with a circular, notification or clarification on this matter to avoid dispute in interpretation. In order to reduce undue hardships to charitable organization, such extension of allowing the application shall be highly appreciated.



Whether notice received u/s 142(1) of the Income Tax Act for AY 2018-19, the response to which was required to be filed before 31-03-2020 is also covered under this extension?

Answer:

Yes, the filing of response against notice received u/s 142(1) is covered under this financial package and can be filed within the extended due date of 30-06-2020. It has been specifically mentioned that filings of any document or compliance under the Act, the due date for which is falling within the period 20-03-2020 to 29-06-2020, is extended to 30-06-2020.

So, in our view, it can be considered that response to scrutiny proceedings u/s 142(1) is also extended.



Like for individuals, the investment in savings instruments to claim deduction for FY 2019-20, has been allowed till 30.06.2020, whether for charitable organizations the investment of amount accumulated u/s 11(2) in the modes prescribed u/s 11(5) can also be done till 30.06.2020?

Answer:

The matter has not been covered specifically and charitable organizations must already should have done the necessary compliance related to such investments within 31-03-2020.

However, in our view, considering that the due date for all limitations and compliances under the Act have been extended to 30-06-2020, the investment u/s 11(5) should also be allowed upto 30-06-2020. The CBDT or Ministry of Finance should soon come up with a circular, notification or clarification on this matter to avoid dispute in interpretation. In order to reduce undue hardships to charitable organization, such extension shall be highly appreciated.



Does the extension of regulatory and statutory deadlines for FY 2019-20 implies extension of financial year also?

Answer:

No, not at all. The financial year 2019-20 shall end on 31-03-2020 and no such extension has been announced. Only to ease out the burden of various statutory and regulatory compliances for FY 2019-20, the government has extended the due dates under various Acts.



What is the objective of economic relief package announced after the various deadlines for statutory and regulatory compliances was extended in the financial package?

Answer:

The objective of economic relief package also being known as fiscal stimulus package was to provide relief to the poor and stimulus to the industries and economy as a whole to cushion the impact of Covid-19.



Does economic relief package also have something for charitable organizations?

Answer:

Yes, there were certain announcements related to EPF Regulations which might have a positive impact on the charitable organizations.



What was the announcement related to EPF regulations?

Answer:

It was announced that the EPFO regulations shall be amended and the employees shall be allowed to withdraw 75% of the corpus or 3 months wages, whichever is less, for contingency expenditure.

The amount so withdrawn shall be in the nature of non-refundable advance.



What was announced relating to contributions towards EPFO?

Answer:

It was announced that the government shall contribute, both the employer and employee's contribution, making it together for next 3 months for certain class of establishments.



What kind of establishments are covered under the scheme?

Answer:

Those establishments having upto 100 employees, 90% of whom are earning Rs. 15,000 or less, are covered by the scheme. So, charitable organizations with a small capacity of employees might be covered under this scheme.



Whether application for lower deduction certificate in Form 13 has also been extended?

Answer:

Yes, the CBDT has passed an order dated 31.03.2020 wherein it has been mentioned that:

- a) Those organizations who applied for lower deduction certificate for FY 2020-21 and did not receive the same but possess such certificate for FY 2019-20 and
- b) Those organizations who were not able to apply for such certificate for FY 2020-21 but possess such certificate for FY 219-20;

The same certificate shall be valid till 30-06-2020. However, the category of organizations mentioned in part (b), have to apply for such certificate as soon as the normalcy is stored or 30.06.2020, whichever is earlier.

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