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# Enabling Purpose, Ensuring Compliance

## Strategic Tax & Regulatory Insights for India's NPO



May 2026

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## FOREWORD

India's social sector stands at a pivotal moment in the nation's development journey. As the country advances toward its \$5-trillion economic vision, the role of non-profit organisations (NPOs) in fostering inclusion, equity, and last-mile impact has become increasingly significant. From community mobilisation and grassroots service delivery to supporting large-scale national missions, NPOs remain indispensable partners in India's human-development agenda.

Over the past decade, India's development architecture has deepened collaboration between government, civil society, and the private sector. Major national programs in health, education, skilling, rural livelihoods, digital access, and social protection increasingly engage NPOs as implementing partners, technical advisors, and community intermediaries. At the same time, the rapid expansion of digital public infrastructure has enhanced transparency, efficiency, and citizen outreach—creating new opportunities for scale and innovation within the sector.

Public generosity in India continues to be strong, rooted in enduring traditions of daan, zakat, and community giving. However, the modern donor is evolving. There is a growing expectation for transparency, measurable outcomes, and clear accountability in the use of funds. This shift underscores the need for robust governance frameworks, credible reporting standards, and outcome-oriented program design.

Regulatory developments have similarly raised the bar. Evolving tax and foreign contribution frameworks, along with the introduction of the Income-tax Act, 2025, signal a move toward structured compliance and strengthened oversight. While these changes increase expectations, they also enhance the credibility of well-governed organisations and facilitate access to institutional and philanthropic capital.



With expanding formal philanthropy, rising CSR investments, and a more informed civil-society ecosystem, the present moment offers significant opportunity. By strengthening institutional capacity, embedding transparency, and embracing impact-linked models, organisations can not only meet regulatory and donor expectations but also unlock the full potential of India's development sector.

It is our hope that this publication serves as a practical guide and strategic reference for stakeholders across the ecosystem—empowering organisations to lead with integrity, innovate with confidence, and deepen their contribution to India's development aspirations.

Warm regards,

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# GLOSSARY

Short Form	Full Form	Short Form	Full Form
<b>AMF</b>	Anti-Money Laundering	<b>MCA</b>	Ministry of Corporate Affairs
<b>CA</b>	Chartered Accountant	<b>MHA</b>	Ministry of Home Affairs
<b>CAF</b>	Charities Aid Foundation	<b>MMR</b>	Maximum Marginal Rate
<b>CSR</b>	Corporate Social Responsibility	<b>NDMD</b>	New Delhi Main Branch (SBI)
<b>FC</b>	Foreign Contribution	<b>NGO</b>	Non-Governmental Organisation
<b>FCRA</b>	Foreign Contribution (Regulation) Act, 2010	<b>NGO-DARPAN</b>	NGO DARPAN Portal (NITI Aayog)
<b>FMV</b>	Fair Market Value	<b>NPO</b>	Not-for-Profit Organisation
<b>GST</b>	Goods and Services Tax	<b>PAN</b>	Permanent Account Number
<b>GPU</b>	General Public Utility	<b>RCM</b>	Reverse Charge Mechanism
<b>HNI</b> s	High Net-Worth Individuals	<b>ROC</b>	Registrar of Companies
<b>ITAT</b>	Income Tax Appellate Tribunal	<b>SBI</b>	State Bank of India
<b>ITC</b>	Input Tax Credit	<b>TDS</b>	Tax Deducted at Source
<b>KYC</b>	Know Your Customer		



India's NPO Landscape: Scale, Funding Dynamics & Rising Accountabilities

India's not-for-profit (NPO) sector stands at a pivotal stage of transition—from traditional charity rooted in daan and zakat to a structured, professional and impact-oriented ecosystem. The Social-sector spending is driven primarily by government expenditure supported by private funding—CSR, individual giving and family philanthropy.

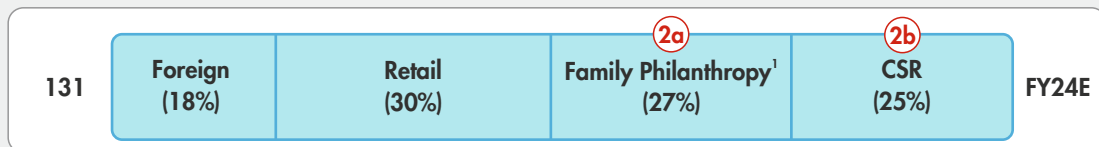
## Giving Behaviour and Philanthropy Trends

India remains among the world's most generous societies, with giving broad-based across income groups. Education, healthcare, disaster relief and community welfare continue to attract strong support.




Large individual donors and business families now deploy philanthropy more strategically through foundations and family offices, adopting multi-year, outcome-oriented approaches. Their participation has helped mainstream large-scale philanthropy and inspired broader engagement across other wealth cohorts.

India families are a salient part of the Economic and social fabric of the country;  
They contribute to philanthropy via personal giving and CSR


### India's private funding by segment (INR thousand crore)



**2a** **Family philanthropy:** Personal giving by UHNIs, HNIs, and affluent, including business owners as well as professionals

	UHNIs	HNIs	HNIs
 <b>Net worth (INR)</b>	1K Cr. +	200 - 1K Cr.	7-200 Cr.
 <b>Typing Giving (INR)</b>	5 Cr. +	0.4-5 Cr.	<0.4 Cr.
 <b>Base Count (FY24)</b>	1.5K	13K - 15K	850K - 900K

**2b** **CSR:** Contribution by family - owned/run, other private firms and public service undertakings (PSUs) as mandated by law to support social welfare and sustainability causes

	PSUs	Private sector firms: Professionally run	Private sector firms: Family owned
 <b>No. of companies</b>	~0.4K	~3K	~17K

All qualified firms 2 need to allocate a minimum of 2% of their average net profit of preceding three financial years towards CSR projects

(Source: 2024-Dasra | Bain & Company report)

Public programmes across education, health, livelihoods, women and child development and digital inclusion have created structured roles for NPOs—not only as grant recipients but as implementing partners, technical advisors, monitoring agencies and community intermediaries.

## Emerging Focus Areas and Impact Opportunities

Charitable giving in India continues to balance basic needs and community well-being. In 2024, religion and faith-based organisations remained the largest beneficiaries (42%), reflecting the cultural depth of giving. Education (35%) and health (35%) followed closely, alongside strong donor support for homelessness, poverty relief, disability inclusion, and elderly care - underscoring sustained concern for vulnerable populations.

While traditional sectors such as education, health, sanitation, nutrition, livelihoods and gender remain core, newer focus areas - climate resilience, mental

health and ageing, digital inclusion, urban poverty and migration, youth skilling and entrepreneurship, and community-led governance are gaining momentum.

There is a structural shift in India's non-profit ecosystem - from traditional charity to structured social investment, from fragmented efforts to collaborative platforms, and from activity-based delivery to outcome-driven strategies. The sector is now more central to India's development agenda, supported by clearer regulation, stronger government - civil society partnerships, rising domestic philanthropy and growing professionalisation.

### Which cause(s) did you give money to in 2024? *(People who had given money, n=864)*



*(Source: CAF Report – Giving in India 2025)*

## Challenges Facing Philanthropy and the Non-Profit Sector in India

There are heightened expectations around governance, compliance, financial discipline and measurable impact. Organisations are required to navigate overlapping legal frameworks, heightened regulatory scrutiny, and rising expectations of transparency.

### Critical Issues Impacting NPO's Ecosystem:

**Complex regulatory framework:** Compliance is required under multiple laws and regulations, with no unified system to streamline requirements.

**Heightened regulatory scrutiny:** Frequent audits, detailed reporting, and stringent renewal processes—especially for foreign funding—create operational pressure.

**Governance and control risks:** Instances of mismanagement have led to tighter oversight, while smaller organisations often lack strong internal controls.

**Talent and capacity gaps:** Limited availability of skilled professionals in finance, compliance, technology, and programme management constrains effectiveness and scale.

**Inconsistent governance standards:** Variations in Board oversight, accountability, and decision-making reduce overall efficiency and credibility.

**Technology and infrastructure limitations:** Many organisations lack modern systems for monitoring, reporting, and impact measurement, affecting transparency and donor confidence.

**Stakeholder trust challenges:** Compliance lapses by some organisations affect public perception and create barriers for credible, high-impact entities.

### Insight:

India's not-for-profit sector is at a defining moment of transformation. What began as community-led philanthropy and voluntary action has evolved into a structured ecosystem of over 4.8 lakh registered organisations, supported by increasing engagement from corporates, philanthropists, family offices, and digital donors.

Expectations are rising on all fronts—donors seek measurable impact, professional governance, and compliance rigor, while regulators demand enhanced transparency and reporting standards. Simultaneously, expanded government partnerships and digital public infrastructure are enabling greater scale, innovation, and last-mile delivery. Together, these developments signal a shift from traditional charity to outcome-oriented social investment, positioning NPOs as key contributors to India's development agenda.





Legal Structures of NPOs – Governance,  
Regulation & Strategic Considerations

India's not-for-profit sector is among the largest and most diverse globally, rooted in a strong tradition of community giving and social engagement. Organisations work across areas such as education, healthcare, livelihoods, environment, disaster relief, and rights-based initiatives, ranging from small community groups to large, multi-state NGOs.

NPOs are typically established as Public Charitable Trusts, Societies, or Section 8 Companies, each

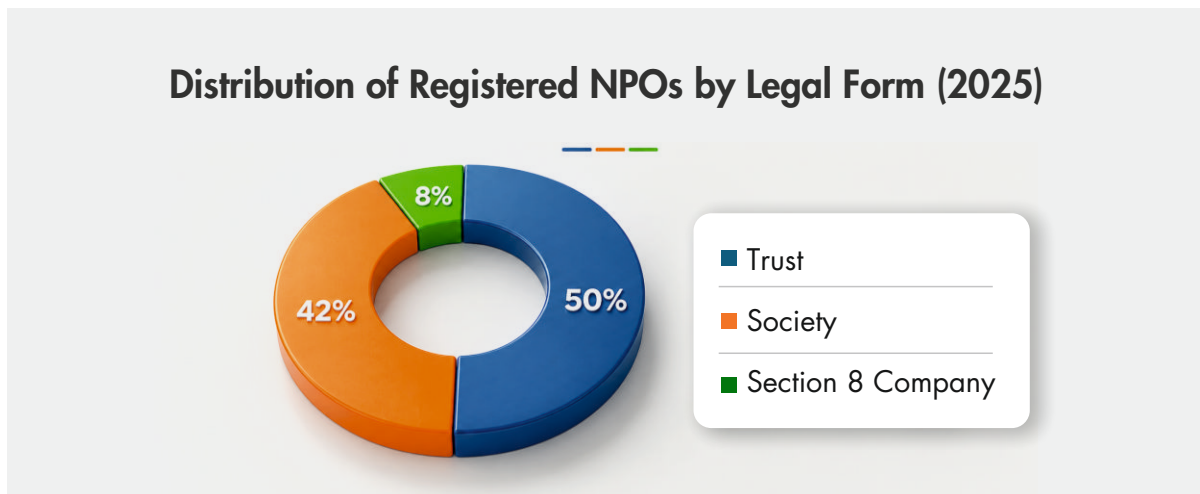
differing in governance, regulatory oversight, and scalability. As expectations of transparency and accountability increase, selecting the appropriate legal form has become important for programme growth, funding access, and compliance management. Organisations therefore evaluate factors such as registration requirements, governance standards, compliance burden, and fund-raising options when choosing the most suitable structure.

### Comparative Legal & Governance Framework of NPO Structures in India

Particulars	Public Charitable Trust	Society	Section 8 Company
<b>Primary Law</b>	State public trust laws + general principles under Indian Trusts Act, 1882	Societies Registration Act, 1860 + state amendments	Companies Act, 2013
<b>Regulator</b>	Charity Commissioner / Sub-Registrar	Registrar of Societies (and Charity Commissioner in some states)	MCA and Registrar of Companies
<b>Governance Structure</b>	Trustees	General Body + Governing Committee	Board of Directors + Members
<b>Principal documents</b>	Trust Deed + trustee resolutions	Byelaws + member resolutions	MoA/AoA + Board or member resolutions
<b>Ease of Registration</b>	Moderate — documentation largely governed by state requirements	Moderate — process varies by state	Moderate— corporate-style incorporation; MCA scrutiny involved
<b>Scalability for Large Projects</b>	Suitable for small to mid-scale programmes	Suitable for mid-scale, membership-driven or multi-location operations	Well-suited for larger, multi-donor or multi-state programmes
<b>Branding &amp; Donor Perception</b>	Seen as traditional and community-rooted	Viewed as participatory and mission-oriented	Commonly perceived as structured and professionally governed
<b>Fundraising Alignment &amp; FCRA Readiness</b>	Works well for philanthropic or community initiatives; eligible for FCRA (documentation style may vary).	Suitable for mobilisation-driven or local programmes; FCRA eligibility subject to governance stability.	Often preferred by institutional donors, CSR contributors, and foundations; frequently favoured for FCRA due to formal governance systems.

<b>Flexibility of Operations</b>	High — rules primarily in the Trust Deed	Moderate — bound by by-laws and elections	Moderate — governed by statutory processes
<b>Ideal For</b>	Community-focused or philanthropic interventions	Membership-driven, collaborative initiatives	Organisations seeking structured governance and scale
<b>Examples</b>	Tata Trusts, Azim Premji Foundation (Trust), Piramal Foundation, NCPA	The Board of Control for Cricket in India (BCCI), The Indian Red Cross Society, Delhi Public School Society	Reliance foundation, HCL Foundation, Infosys Foundation, Tata Steel Foundation

As of 2025, NGO-DARPAN records over **4.85 lakh registered NPOs**, with trusts forming the largest share.



(Source: <https://ngodarpan.gov.in>)

### Insight:

Choosing the appropriate legal structure is fundamental to an organisation's growth, funding credibility, and long-term sustainability. Trusts and societies, with their relative flexibility and simpler formation processes, are often well-suited for grassroots and community-based initiatives. However, as organisations scale operations, expand geographically, or seek diversified funding —

including CSR and institutional donor support—the stronger governance framework and regulatory discipline of a Section 8 company can offer greater strategic advantage. Accordingly, the decision should be guided by the organisation's mission, governance capacity, compliance readiness, funding strategy, and long-term objectives.



Corporate Social Responsibility (CSR):  
Framework, Implementation  
& Accountabilities

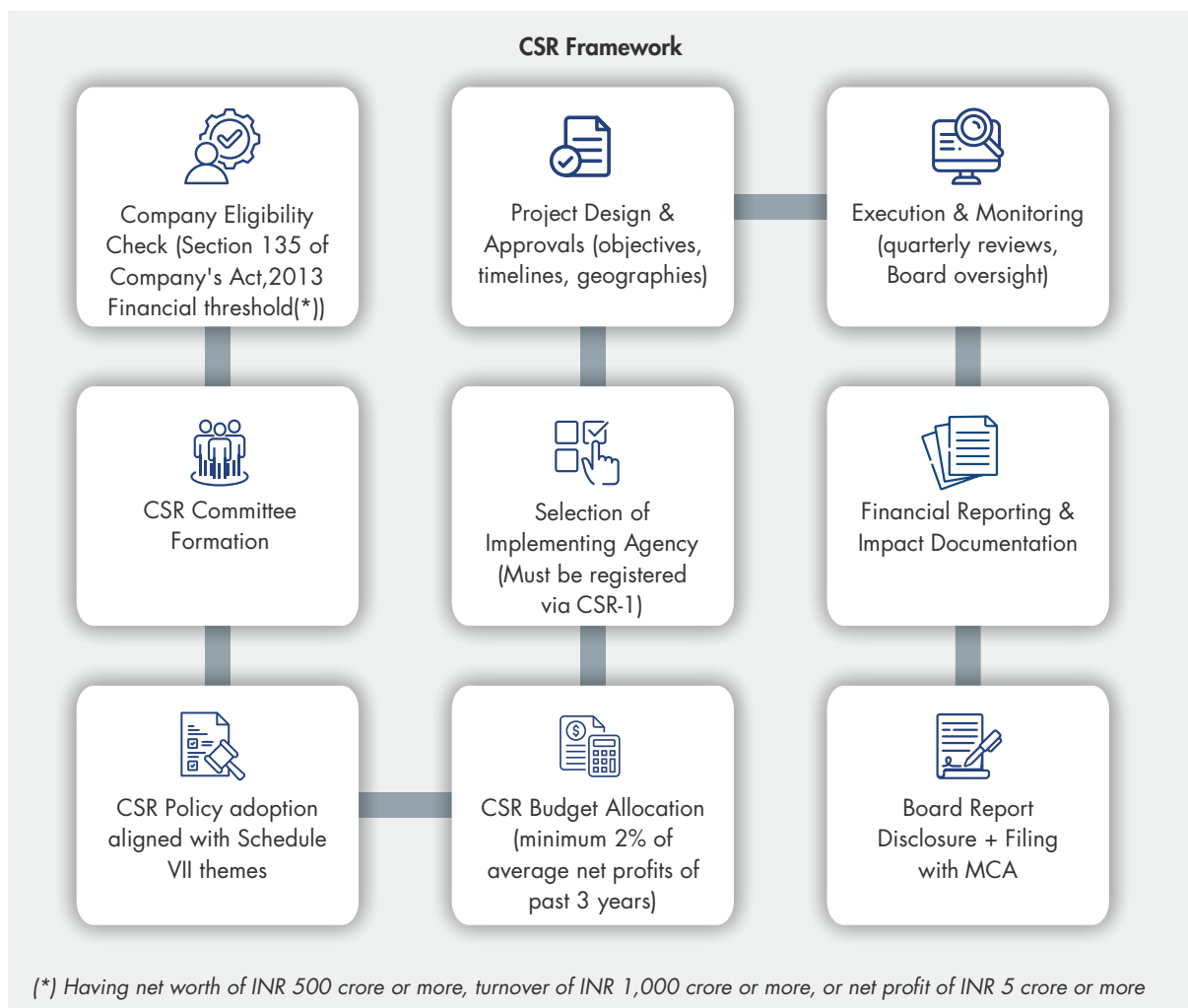
## Statutory Foundation of CSR in India

India's CSR framework introduced under Section 135 of the Companies Act, 2013, is distinctive in making social spending a statutory responsibility for qualifying companies. This represented a significant shift from voluntary philanthropy to a regulated and accountable model of corporate participation in development, positioning CSR as a structured source of social investment.

CSR is not merely discretionary giving; it is a legally governed mandate requiring eligible companies to allocate a portion of their profits to approved social activities. Over the past decade, CSR has become an important channel of development finance, supporting initiatives in areas such as education and

skilling, healthcare and sanitation, nutrition and child development, gender equity, rural development, environmental sustainability, livelihood enhancement, and the promotion of arts, heritage, and culture.

The underlying policy objective of mandating CSR was to integrate the private sector more closely into India's development priorities. By directing corporate resources toward public welfare, the framework aims to strengthen transparency, accountability, and impact measurement, while encouraging responsible business conduct. Equally, it has helped foster long-term partnerships between companies and not-for-profit organisations, aligning corporate capabilities with community needs and strengthening the broader development ecosystem.



## Modes of CSR Implementation: How Companies Deliver Social Impact

Deciding whether to implement CSR in-house or through an external agency is a strategic choice that depends on a company's size, expertise, resources, and goals.

Parameter	Direct Implementation (In-house Foundations / Corporate-led Delivery)	Implementation through External Implementing Agencies
Description	CSR programmes executed directly by a company's own foundation or CSR division with dedicated teams and long-term programme pipelines.	CSR programmes executed through registered external NPOs, leveraging their thematic expertise and field presence.
Strategic Advantages	<ul style="list-style-type: none"> <li>• High strategic control over design, delivery &amp; quality</li> <li>• Scalable, long-term programmes</li> <li>• Institutional memory &amp; deeper community presence</li> <li>• Accumulation of higher amount due to multiple group entities</li> <li>• Aligns with the unique vision of the promoter / company</li> <li>• Creation of Brand Value</li> </ul>	<ul style="list-style-type: none"> <li>• Specialised technical expertise in core themes</li> <li>• Faster &amp; cost-efficient deployment</li> <li>• Wide geographic reach via NGO networks</li> <li>• Operational flexibility without building internal capacity</li> </ul>
Ideal For	<ul style="list-style-type: none"> <li>• Large corporates with substantial CSR budgets</li> <li>• Companies aiming for institution-building and multi-year impact</li> </ul>	<ul style="list-style-type: none"> <li>• Mid-sized companies &amp; first-time CSR spenders</li> <li>• Corporates needing thematic specialists or multi-location reach</li> </ul>
Examples	Tata Trusts / Tata Sustainability Group, Infosys Foundation, Reliance Foundation, ITC CSR Projects Team	HDFC Bank Ltd, Hindustan Unilever Ltd, Maruti Suzuki India Ltd, Mahindra & Mahindra Financial Services Ltd, Jindal Steel & Power Ltd etc.

Corporates are moving away from one-off activities toward long-term, sustainable programmes with clear indicators, structured monitoring, and cost-effective impact delivery. This marks a transition from input-driven reporting to outcome validation, where credibility is built through data, comparability, and replicable results—not anecdotal descriptions.

## Due Diligence, Evaluation & Outcome Expectations:

Before outsourcing projects to an implementing agency, companies now undertake a structured due-diligence process, assessing factors such as governance standards, programme execution capability, the NGO's track record in delivering measurable outcomes etc. Demonstrating outcomes is no longer viewed as a

differentiator but as a baseline requirement for selection, funding, and renewal.

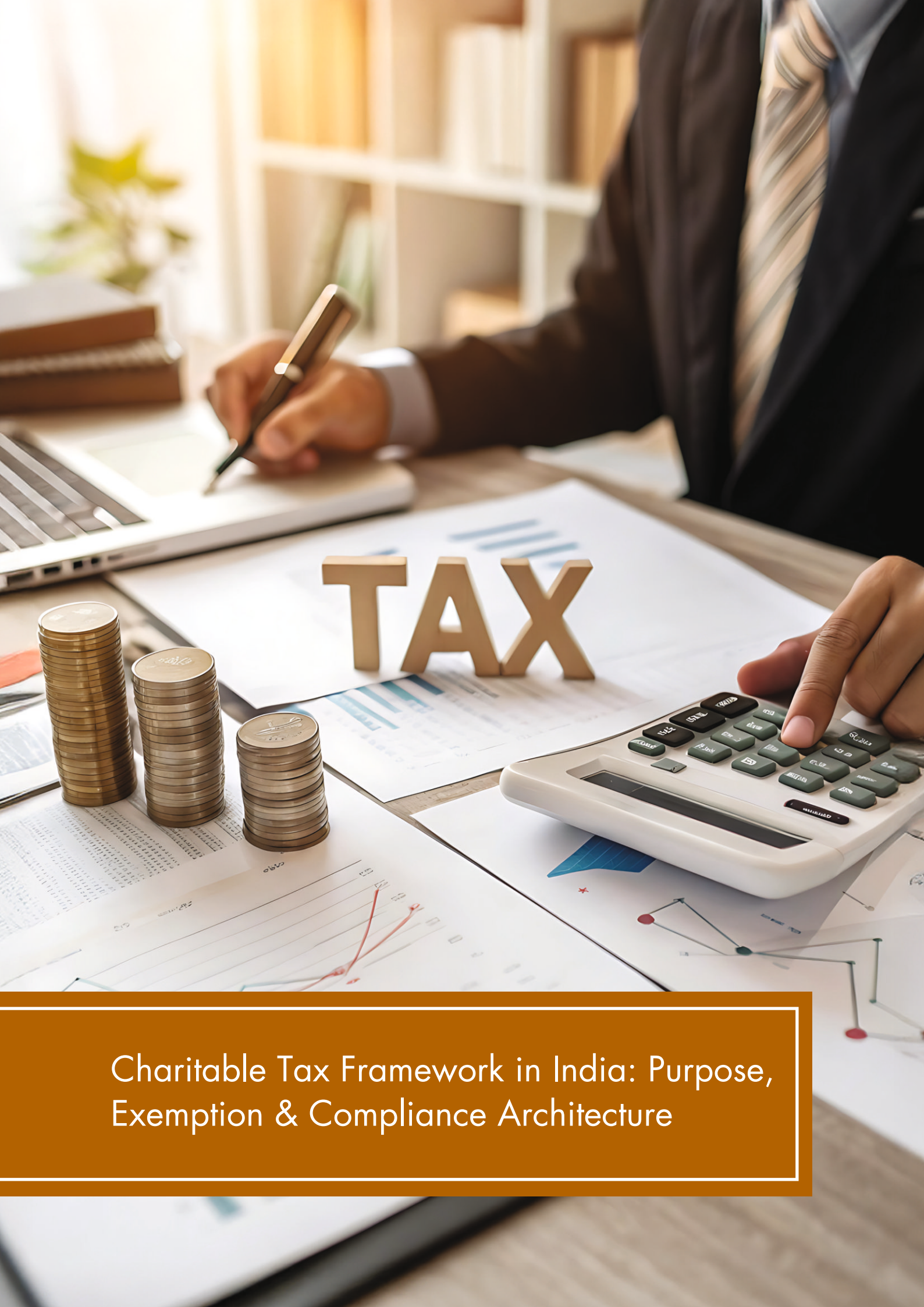
The ability to operate at scale, maintain transparent reporting systems, and align programmes with the company's thematic priorities and geographic focus are also key considerations.



### Insight:

India's statutory CSR framework has transformed companies from occasional donors into consistent and accountable partners in national development. CSR now operates as a structured channel through which corporate resources—capital, technology, managerial expertise, and innovation—are deployed to address social challenges on a scale, elevating it from philanthropy to a core component of the development ecosystem.

With the growth in CSR spending, expectations around governance, transparency, and measurable outcomes have also increased. Companies are progressively viewing CSR as a strategic, long-term investment rather than a compliance-driven exercise. This shift is creating an environment where well-governed NPOs with strong systems and demonstrable impact are best positioned to benefit. More broadly, CSR is no longer only a funding stream; it is shaping how social programs are planned, implemented, and evaluated across the sector.



Charitable Tax Framework in India: Purpose, Exemption & Compliance Architecture



India's non-profit sector functions in a regulatory environment where the boundaries between charity, public benefit, and commercial activity are subject to close scrutiny by tax authorities, auditors, donors, and regulators. As organisations expand across sectors such as education, healthcare, livelihoods, and rights-based programs, the Income-tax framework continues to serve as the principal determinant of what constitutes a charitable institution and how income must be applied to retain tax exemption.

Judicial precedents and recent policy reforms, including the new Income-tax Act, 2025, reinforce a consistent principle: charitable status is not automatic but conditional – it is a privilege, not a default. It must be demonstrated each year by satisfying both the purpose test—ensuring activities remain genuinely charitable – and the application test, which requires income to be properly applied toward approved objectives. A detailed analysis of the relevant tax provisions applicable during the lifecycle of a charitable organisation – covering registration, operational aspects and ongoing compliance – has been discussed in the ensuing paragraphs.

## LIFECYCLE OF A CHARITABLE TRUST: AT A GLANCE



(\* ) The Finance Act, 2025 extends the validity of registration from 5 years to 10 years for small trusts or institutions whose total income (before claiming Section 11 exemption) does not exceed 5 crore in the two years preceding the year of application.

## I. "Charitable Purpose": Foundation & Charitable Status

In common understanding, activities undertaken for public welfare are generally viewed as charitable. However, under the Income-tax law, "charitable purpose" is defined in precise statutory terms, carrying specific legal and compliance consequences.

### Statutory Meaning of Charitable Purpose

The IT Act recognizes six distinct categories of charitable purpose:

- Relief of the poor
- Education
- Medical relief
- Preservation of the environment
- Preservation of monuments or places of artistic or historical interest
- Advancement of any other object of general public utility (GPU)

The first five categories are regarded as inherently charitable. The sixth limb—advancement of any other object of general public utility—has been the subject of significant litigation, as it often intersects with activities involving fees, trade, commerce, or business considerations.

### General Public Utility (GPU) – Boundaries Between Charity & Commerce:

The "advancement of any other object of general public utility" (GPU) is the broadest and most litigated limb. It covers diverse public-benefit activities such as rural development, consumer protection, trade promotion, animal welfare, research, livelihoods, policy advocacy etc.

Because of its breadth, the legislature has introduced safeguards to prevent commercially driven entities from claiming charitable status

### The 20% Commercial Receipts Threshold:

A GPU organisation loses exemption for a year if receipts from activities in the nature of trade, commerce, or business exceed 20% of its total receipts for that year.

The objective is not to penalise genuine charities, but to ensure that entities primarily engaged in commercial operations do not shelter under broad charitable objects.

Importantly, the 20% limit is not an automatic safe harbour. Authorities may still examine:

- Whether the dominant purpose remains charitable
- Whether commercial activity has become substantial in scale
- Whether surplus generation reflects a profit motive

Where commercial receipts consistently approach the threshold, the dominant purpose test regains significance.

### What Constitutes "Trade, Commerce or Business"?

Revenue-generating models—training programmes, advisory services, conferences, skilling initiatives, certification courses—are increasingly integral to sustainability. However, such activities must remain incidental to the charitable purpose.

Judicial interpretation emphasises contextual analysis. Courts have consistently held:

- Charging fees does not automatically amount to business
- Cost recovery or nominal surplus is permissible
- Activities intrinsically linked to charitable objects remain charitable
- Profit motive, scale, frequency, pricing, and market competition are critical indicators

An organisation does not lose its charitable character merely because it adopts efficient or business-like methods.

The Supreme Court has clarified that GPU institutions cannot claim exemption where activities resemble trade or business conducted for consideration significantly above cost. However, cost-based pricing or nominal mark-up does not defeat exemption.

**Practical Challenges for GPU Organisations**

Common compliance stress points include:

- Monitoring the 20% threshold accurately
- Correct classification of receipts (fees, grants, reimbursements, sponsorships)
- Demonstrating that commercial activity is incidental
- Market - linked pricing without documented public-benefit rationale
- Failure to maintain separate books or cost centres
- Public communications using commercial terminology inconsistent with charitable positioning; Blurred lines between charitable services and consultancy

**Consequences of Non-Compliance**

Failure to demonstrate alignment between purpose and activity may result in:

- Classification of receipts as business income
- Denial of exemption for the relevant year

- Taxation at maximum marginal rate (where applicable)
- Potential registration cancellation in cases of sustained commercial conduct
- Reputational risk in donor and CSR evaluations

The boundary-setting between charity and commerce has become central to modern NPO tax compliance. Organisations that proactively embed financial discipline, documentation integrity, and governance clarity are best positioned to sustain exemption under the GPU limb.

**Practical Takeaways for NPOs**

- Draft precise and purpose-driven charitable objects
- Segregate charitable and incidental commercial receipts
- Monitor the 20% threshold throughout the year
- Adopt cost-recovery-based pricing policies
- Ensure operational conduct aligns with stated objects

## II. Registration Lifecycle- Entry, Continuity & Conditional Validity:

Registration is the statutory gateway for charitable or religious institutions to claim exemption on income applied toward charitable purposes. Approval for Section 80G, separately/jointly obtained, enables donors to claim tax deduction on contributions.

At the registration stage, authorities examine not only stated objects but also the genuineness of activities and alignment with those objects.

First-time applicants whose activities have not commenced are generally granted provisional registration, enabling them to commence operations. Regular registration must thereafter be obtained within prescribed timelines and is typically valid for five years.

Grant of Registration does not guarantee exemption, as the organisations need to demonstrate compliance with various requirements on year-on-year basis.



## Trust Registration Lifecycle under the Income-tax Law





**PROVISIONAL REGISTRATION**  
*(ENTRY STAGE)*



**REGULAR REGISTRATION**  
*(CONVERSION STAGE)*



**RENEWAL OF REGISTRATION**  
*(CONTINUITY STAGE)*



**CANCELLATION OF REGISTRATION**

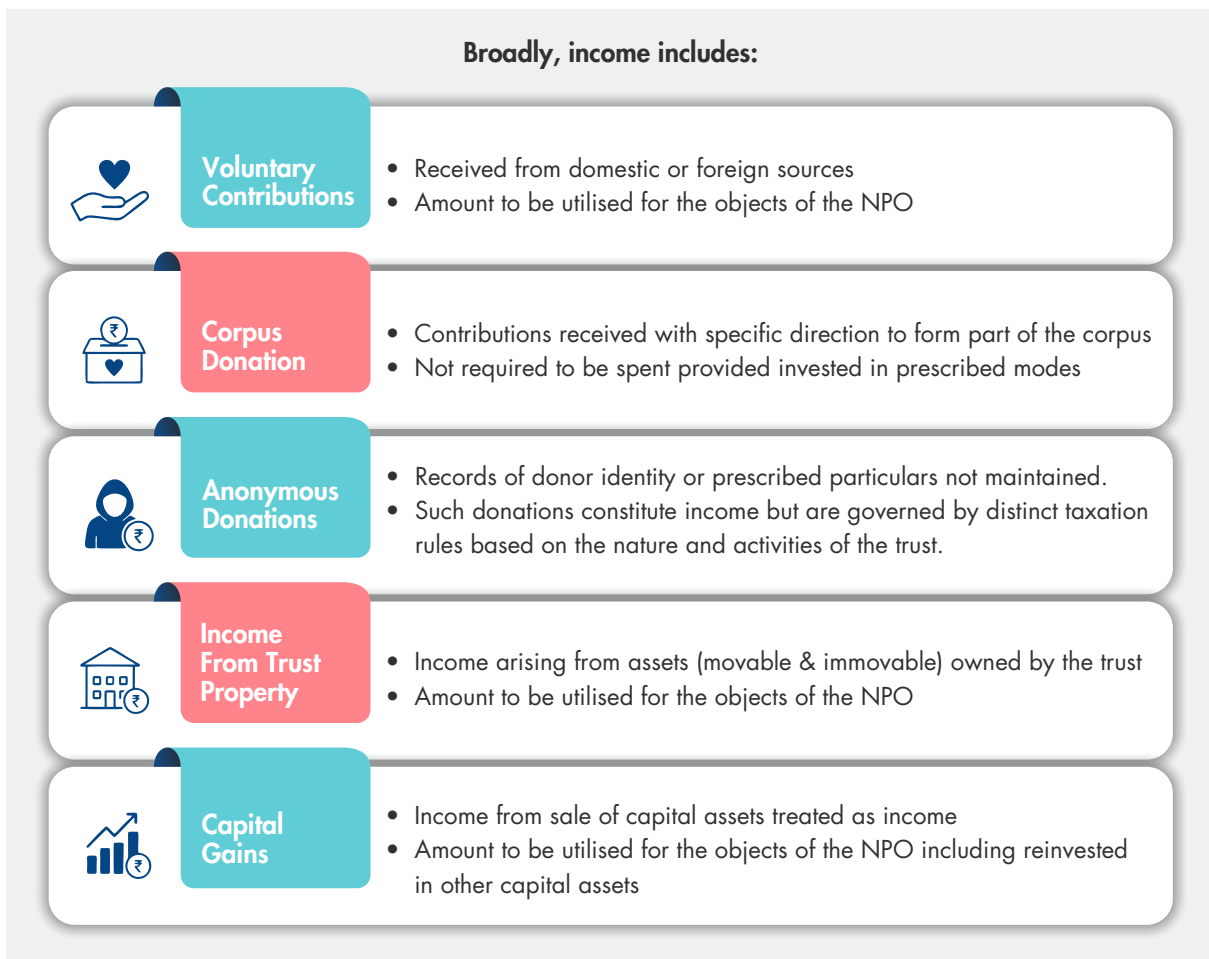
### III. Income and Application of Funds: The Core Exemption Mechanism

The tax exemption framework for charitable and religious institutions under the Income-tax Act operates as a self-contained code. Unlike other assessees, charitable entities are not taxed based on conventional heads of income; instead, exemption depends on how far income is applied toward approved charitable purposes in India.

Charitable status alone does not guarantee exemption. Compliance with the application of income regime is central to sustaining tax benefits.

#### A. What Constitutes "Income"

For a NGO, "income" is broader than accounting surplus and is determined on commercial principles subject to statutory modifications.



#### B. The Application Rule

Expenditure incurred for the objects, including capital expenditure qualifies as application. The application is allowed **only on a payment basis**, irrespective of accounting method. Mere book entries, provisions, or allocations no longer qualify.

An NPO must apply **at least 85% of its income** during the relevant year toward charitable purposes in India. Where a trust applies more than its income in a particular year, the resulting deficit cannot be adjusted against income of subsequent years. The 85% test is **year-specific** and must be independently satisfied each year.

Charitable income must be applied for charitable purposes **in India** to qualify for exemption. Application outside India is permitted only if it promotes international welfare in which India is interested, and specific government approval is obtained.

If 85% cannot be applied due to genuine constraints, two options exist:

1. Application immediately following year (subject to prescribed filing), or
2. Specific accumulation for up to five years for defined purposes (through statutory declaration). Change of purpose permitted (subject to approval of AO).

Authorities now examine substance over form—whether accumulations are project-linked, time-bound, and invested in permitted modes. Further, the accumulated amounts must be invested strictly in prescribed modes.

#### Practical Takeaways for NPOs

- Clear linkage between expenditure and charitable objects
- Separate tracking of corpus, restricted, and general funds

- Investment strictly in permitted modes
- Timely filing for deemed application or accumulation
- Robust documentation and bank-level traceability

#### Insight:

The modern charitable tax regime is structured, documentation-driven, and year-specific. Legislative amendments in recent years have tightened flexibility, emphasised payment-based application, eliminated deficit carry forward, and introduced safeguards around borrowings and corpus use.

For NPOs, sustaining exemption now requires disciplined financial planning, precise fund tracking, and continuous alignment between income, application, and statutory conditions. Charity may be the purpose—but compliance is the foundation on which exemption rests.

The governing principle is clear: **charitable income must be actively deployed, not passively accumulated.**

## IV. Accumulation and Investments Discipline

While the exemption framework emphasises timely application of income, the law recognises that charitable activities often require structured accumulation and prudent investment

### A. Accumulation of Income

#### 1. Automatic Accumulation – The 15% Rule

An NGO may accumulate or set apart up to **15% of its income** in a year without specifying any purpose or period.

Key principles:

- The 15% is computed with reference to gross income, not net income.
- No filing or declaration is required.
- The amount may be retained as a statutory buffer for contingencies or working capital.

#### 2. Specific Accumulation

Where income in excess of 15% is not applied during the year, exemption is available only if the following conditions are satisfied:

- A **specific and clearly defined charitable purpose** must be stated.
- The period of accumulation cannot exceed five years
- Necessary compliances must be done within prescribed timelines
- The accumulated amount must be invested or deposited strictly in specified modes.

Specific accumulation is a deferment of application, not a permanent retention. The amount retains its character as income and is monitored for compliance. The accumulated income becomes taxable in the year of default if it is applied for non-charitable purposes or is not applied within the specified period, or is invested in impermissible modes.

## B. Permissible Modes of Investment

The law prescribes an **exhaustive list** of permissible investment modes (e.g., government securities, specified bank deposits, approved mutual fund units, etc.). The legislative objective is capital preservation, transparency, and risk control.

Investment outside prescribed modes—whether from corpus, accumulated income, or current income—will attract consequences.

## Insight:

The statutory framework balances flexibility with discipline:

- 15% automatic accumulation provides operational leeway.
- Specific accumulation demands purpose clarity and time-bound deployment.
- Investment compliance is strict but proportionate.
- Violations generally trigger income-based consequences, not blanket forfeiture.

Thus, the consistent theme is clear: accumulation is permitted; indiscipline is not.

## V. Specified Party Safeguard: Preventing Private Benefit

The tax framework has designed safeguards to prevent private benefit or diversion of charitable resources by persons who control or influence a trust or institution. The governing principle is consistent and enduring: charitable income must serve the public, not those managing the charity.

These safeguards get attracted only where an undue, excessive, or non-arm's-length advantage is conferred to specified persons.


### Specified Persons include:

- Author or founder of the trust
- Trustees or managers
- Relatives of the above
- Any concern in which above referred persons have a substantial interest
- Substantial contributors

The statutory focus is not on relationship alone, but on **benefit derived because of that relationship**.

A "benefit" includes direct or indirect advantages, Monetary or non-monetary gains. The inquiry is substantive: Would an unrelated party have received the same treatment?

The framework creates specific instances where benefit is presumed:

Clause	Trigger	Deemed Benefit
(i)	 <b>Loans/advances</b>	Without adequate security or reasonable interest
(ii)	 <b>Use of property</b>	Use of land/buildings/assets at below market value
(iii)	 <b>Salary/remuneration</b>	Excessive or unreasonable. compensation
(iv)	 <b>Services by NPO</b>	Services provided free or at inadequate consideration

(v)	 <b>Purchases</b>	Inflated purchase price from specified persons
(vi)	 <b>Sales</b>	Sale of assets at below fair market value
(vii)	 <b>Diversion</b>	Investment in concerns where specified persons have substantial interest
(viii)	 <b>Investment</b>	Diversion of income/property exceeding 1,000

These are **rebuttable triggers**, but documentation is critical.

Mere existence of a transaction with a specified party is not sufficient to deny tax exemption; it is the **unreasonableness** or **lack of documentation** that causes violation.

Accordingly, specified-party compliance must be treated as a governance discipline.

- (i) **Purpose & Need Test** - Transaction must arise from genuine operational necessity.
- (ii) **No Undue Benefit Test** - The charity should not be placed in a worse position than in an unrelated transaction.
- (iii) **Reasonableness & Benchmarking** - Consideration must be commercially defensible
- (iv) **Board Oversight** - decisions need to be recorded in the minutes

- (v) **Documentation & Audit Trail** - The rationale for engaging the specified party should be documented.

In case of violation tax and penalty is levied in the hands of the NPO without any deduction, set off, or allowance. This makes related-party compliance one of the highest-risk areas in NPO taxation.

### Insight:

The law does not prohibit related-party transactions – it prohibits **private enrichment through charitable structures**.

The modern compliance reality is clear:  
Arm's-length process + documented governance = protection.

**Relationship + weak documentation = high-risk exposure.**

## Exit Tax – Protecting Public – benefit Assets

The law has provided for an anti-abuse safeguard ensuring that assets accumulated under the tax-exempt charitable regime do not migrate into non-charitable or private hands. Where a charitable institution exits the exemption framework in specified circumstances, its **“accreted income” (fair-value net worth)** becomes taxable at the maximum marginal rate.

The underlying principle is clear: **public-benefit assets must remain within the charitable ecosystem.**

Exit tax is attracted where a registered charitable institution:

- (i) Converts into a Non-Charitable Entity
  - Modifies objects so that they no longer conform to the conditions of registration;
  - Fails to re-register/fail to convert provisional registration into final registration or approval is cancelled and
  - Charitable institution converts itself into a form which is not eligible for grant of registration.

## (ii) Merges with an Ineligible Entity

- Merger with an entity not registered under the relevant provisions, or
- Merger with a registered entity not having similar charitable objects.

## (iii) Dissolves Without Proper Asset Transfer

- On dissolution, it fails to transfer all assets within 12 months to another registered charitable institution.

Only when assets risk moving outside the charitable fold does Exit tax apply.

- **Computation of Accreted Income —**

Once triggered, the institution is taxed on its accreted income, defined as:

- Fair Market Value (FMV) of Total Assets – Total Liabilities evaluated as of the specified date (date of conversion/merger/dissolution/cancellation of registration etc.).
- The accreted income is taxed at the maximum marginal rate (MMR) and is in addition to normal income tax for the year.

- No deduction, set off, or credit is allowed against this tax as it is treated as a final tax on accreted income.
- An order levying exit tax is appealable before the ITAT. Tax is payable within 14 days of the specified event or receipt of the order of the ITAT. Non-payment attracts recovery proceedings similar to other tax demands.

**Insight:**

Charitable assets built under exemption cannot be monetised or diverted without incurring tax at the highest marginal rate. Accordingly, any restructuring, merger, cancellation, or dissolution must be preceded by careful tax and governance planning to avoid unintended exit-tax exposure.

*Under the Income-tax Rules, 2026, provisional registration may be surrendered without triggering exit tax, provided no tax benefit has been availed and the prescribed conditions are satisfied.*

*In the Finance Bill, 2026, a new section 354A is introduced under the Income-tax Act, 2025, clarifying that no exit tax will apply when a registered non-profit organisation merges with another registered non-profit having the same or similar objects, subject to prescribed conditions. This addresses ambiguity under the earlier law and enables tax-neutral restructuring of NPOs. Exit tax will continue to apply where the merger is with a non-registered NPO or where the prescribed conditions are not met.*

## VI. Audit and Reporting: The Compliance Backbone

Audit and reporting obligations now form the operational backbone of the charitable tax regime. The tax exemption's continuance is increasingly dependent on procedural transparency, documentation discipline, and timely disclosure. Over time, audit reporting has evolved from a verification mechanism into a structured compliance and enforcement tool.

**Statutory Audit Requirements**

Where the total income of a charitable institution exceeds the basic exemption limit, a statutory audit is mandatory. The audit report must be furnished in the prescribed form along with the return of income.

The audit scope extends beyond numerical verification. It requires examination of:

- Application and accumulation of income
- Investment compliance

- Related-party transactions
- Treatment of corpus, loans, and inter-charity donations
- Adherence to TDS provisions and cash transaction restrictions

Non-furnishing or delayed furnishing of the audit report is treated as a substantive non-compliance and may result in denial of exemption, subject to limited condonation relief in appropriate cases.

**Expanded Reporting Norms**

Recent amendments in the Income-tax Rules have significantly expanded the scope of reporting. Organisations are now required to furnish:

- Detailed disclosures of donations received including details like donation from CSR funds, voluntary contributions other than corpus,

- Segregation of corpus and non-corpus receipts,
- Activity-wise application details, and
- Disclosures relating to CSR and foreign contributions.

Where trusts receive funds under CSR or FCRA, authorities increasingly expect separate identification and tracking, even if not expressly mandated under the Income-tax Act. The compliance expectation is towards end-to-end traceability of funds.

#### Return Filing

For charitable institutions need to file the return of income within prescribed dates. Timely filing remains critical, particularly where accumulation or other conditional claims are involved.

#### Insight:

The modern charitable compliance regime is documentation driven. Substantive charitable intent, though essential, is no longer sufficient in isolation. From a governance perspective, audit should not be viewed as a year-end statutory requirement, but as a continuous compliance process embedded in financial controls, board oversight, and internal documentation systems.

In the current enforcement environment, **process failures are increasingly the primary cause of exemption disputes.**

## VII. Renewal and Continuity of Registration

Registration under the Income-tax Act for charitable or religious institutions is no longer perpetual. The present framework is built around **time-bound registration (generally five years)**, reinforcing the principle that charitable status is conditional upon continuing compliance.

#### Periodic Renewal Requirement

Registrations are valid for a fixed term and must be renewed before expiry. Renewal applications typically require:

- Updated governing documents (trust deed / MOA)
- Details of trustees or key managerial persons
- Financial statements for prior years
- Evidence of charitable activities undertaken during the registration period

Authorities assess not only documentary compliance but also **substantive alignment between objects, activities, and financial deployment.**

#### Scope of Review at Renewal Stage

Renewal is no longer a mechanical extension. It functions as a structured review of past conduct. Authorities commonly examine:

- Whether activities remain aligned with registered objects

- Whether income has been applied in accordance with tax framework
- Compliance with related-party safeguards
- Accuracy and completeness of disclosures in audit reports and returns

In effect, renewal proceedings operate as a quasi-assessment of governance discipline.

#### Consequences of Non-Renewal or Delay

Failure to apply within prescribed timelines may result in:

- Lapse of registration
- Denial of exemption for intervening years
- Potential exposure to exit tax
- Potential exposure of rework at past years.

Renewal timelines are therefore critical compliance milestones, not procedural formalities.

#### Insight:

**Charitable status today is not a one-time certification—it is an annually demonstrated position built on governance, transparency, and compliance integrity.**

**The overarching message is clear: Registration is conditional, renewal is evaluative, and continuity depends on disciplined governance.**



## GST Framework and Its Implications for NPOs in India

## Why “we are a charity” is no longer a safe answer

When GST was introduced, many non-profit organisations assumed that they were outside its scope. After all, they work for public good, not for profit. The GST law, however, looks at activities and transactions, not motives – the true nature must be determined. Under the GST law, even a charity can be treated as a “supplier,” and its activities can be treated as “business” in many situations. That is why NPOs must look at GST with clear lens. This note looks at GST from an NPO perspective. It highlights what is exempt, what tends to be overlooked, and where organisations need to be careful.

## When does GST apply?

GST applies when there is:

- a “supply” of goods or services or both, by one person to another,,
- for a consideration,
- in the course or furtherance of “business”

The term “business” under the GST law is wide. It covers trade, commerce and activities which are not for a pecuniary gain/benefit. Also, activities carried out by clubs, associations and similar bodies for a subscription or any other consideration, for its members. This means that if an NPO provides services for a fee, they fall within the GST net, even if the overall surplus is ploughed back into the cause.

Thus, from a practical perspective, NPOs need to watch for:

- Registration thresholds - If the aggregate turnover from taxable and exempt supplies exceeds the prescribed threshold, registration may be required, even if a large part of receipts are from donations.
- State-wise registrations - Registration is State specific, under the GST law. Operations in multiple States may require registration in more than one State.
- Mandatory registration – Procurement of services which are liable to tax under reverse charge mechanism like legal services, could make an NPO liable to obtain GST registration.

Thresholds and conditions can change, interpretation varied, it is important to check the latest provisions and notifications, and worse be guided by social media or a friend!.

## The “charitable activities” exemption

The law exempts entities registered under the Income-tax Law undertaking charitable activities. In addition to the above, the law exempts certain other services provided by a charitable or religious trust registered under the Income-tax Law like renting of precincts of religious places owned by such trust, training or coaching in sports, spirituality or yoga, preservation of environment, etc.



















Accordingly, it is critical that NPOs map every activity undertaken and check for implications under the GST law.

## GST implications on donations

Another area where NPOs need to be mindful of GST implications is the receipt of donations. Under the GST law, any receipt where the donor receives a (reciprocal) benefit will not be exempt from GST; in other words, donations received by a NPO, will have to be examined for the quid-pro-quo facet.



A quick guide is given here:

INCOME	GST IMPLICATION	THINGS TO LOOK OUT FOR
 <p><b>General donations with no benefit to the donor – no strings attached</b></p>	 <p>No implications under GST</p>	 <p>Documents should not indicate any benefit arising or accruing to the donor</p>
 <p><b>Grants for charitable projects with no deliverables to donor except utilisation reports</b></p>	 <p>Receipts without any reciprocal promise by the NPO, will not be liable for GST.</p> <p>-----</p> <p>On the application side, the activities fall under the definition of 'charitable activities' there shall not be any GST implication on the spend.</p>	 <p>Agreements should be carefully drawn up.</p>
 <p><b>Program fees (training, workshops, conferences)</b></p>	 <p>Taxable unless covered by a specific exemption</p> <p>-----</p> <p>(education, health, charitable activity definition)</p>	 <p>Most training programs are taxable services. Misclassifying these as exempt is a common mistake.</p>
 <p><b>Membership subscriptions for clubs, associations, professional bodies</b></p>	 <p>This topic is litigious - GST law taxes supplies by a club or association to its members, but courts and experts have questioned this tax on the principle of mutuality.</p>	 <p>NPOs with member subscriptions and other payments for benefits should track the evolving judicial precedents and seek advice before taking a final position.</p>
 <p><b>Corporate sponsorships with logo display, branding, stalls or "presenting partner" rights</b></p>	 <p>Generally, treated as taxable supply of advertising or sponsorship services and the tax is payable by the supplier</p>	 <p>Contracts should separate pure donations from sponsorship elements, and GST should be factored into pricing.</p>
 <p><b>CSR implementation where NPO executes a project for a company</b></p>	 <p>The modus operandi, i.e. whether the NPO is a mere IA for a fee or, receives the entirety of the CSR funds and applies it on behalf of the company will have to be ascertained. In the latter scenario, whether there are any reciprocal deliverables to the company, will have to be ascertained.</p>	 <p>Documents should reveal whether the NPO is an IA and, how GST will be handled</p>

*It goes without saying that the documentation should be carefully drafted and reviewed to ensure that an otherwise charitable and exempt transaction does not fall in the grey area.*

## Input tax credit (ITC)

NPOs typically have a mix of taxable (including exempt) and non-taxable activities (pure donations) from a GST perspective. Hence it is critical that input tax credit (ITC) on common inputs is apportioned between taxable / exempt supplies / non-GST supplies under the GST law. Any failure to do so can lead to:

- Demands for reversal of ITC with interest and penalties
- Disputes on what counts as “common” versus “exclusively used” inputs as also questions on the methodology applied for allocation.

Given the rising importance of CSR in the NPO sector, ITC implications on CSR funding also requires attention. From the corporate perspective, the GST law specifically restricts ITC for expenditure incurred on mandatory CSR activities, even if they are in the course or furtherance of business. Thus, CSR related GST becomes a cost for the donor-company, having ramifications on how it structures its CSR partnership with the NPO and this will also have implication on the amount to be considered from an Income tax / Companies Act perspective by the donor, for the amount to be considered as incurred for CSR purposes. Accordingly, it is critical that NPOs carefully analyse the cost of ITC, if any, on CSR partnerships to avoid any disputes.

**In practice, in order to avoid any ITC blockage, NPOs should:**

- keep separate, project-wise, or activity-wise cost centers as far as it is feasible
- identify common cost heads such as rent, utilities, administration, and technology
- document the basis used for allocation (for example, turnover, area, headcount) and apply it consistently.

## Compliance first

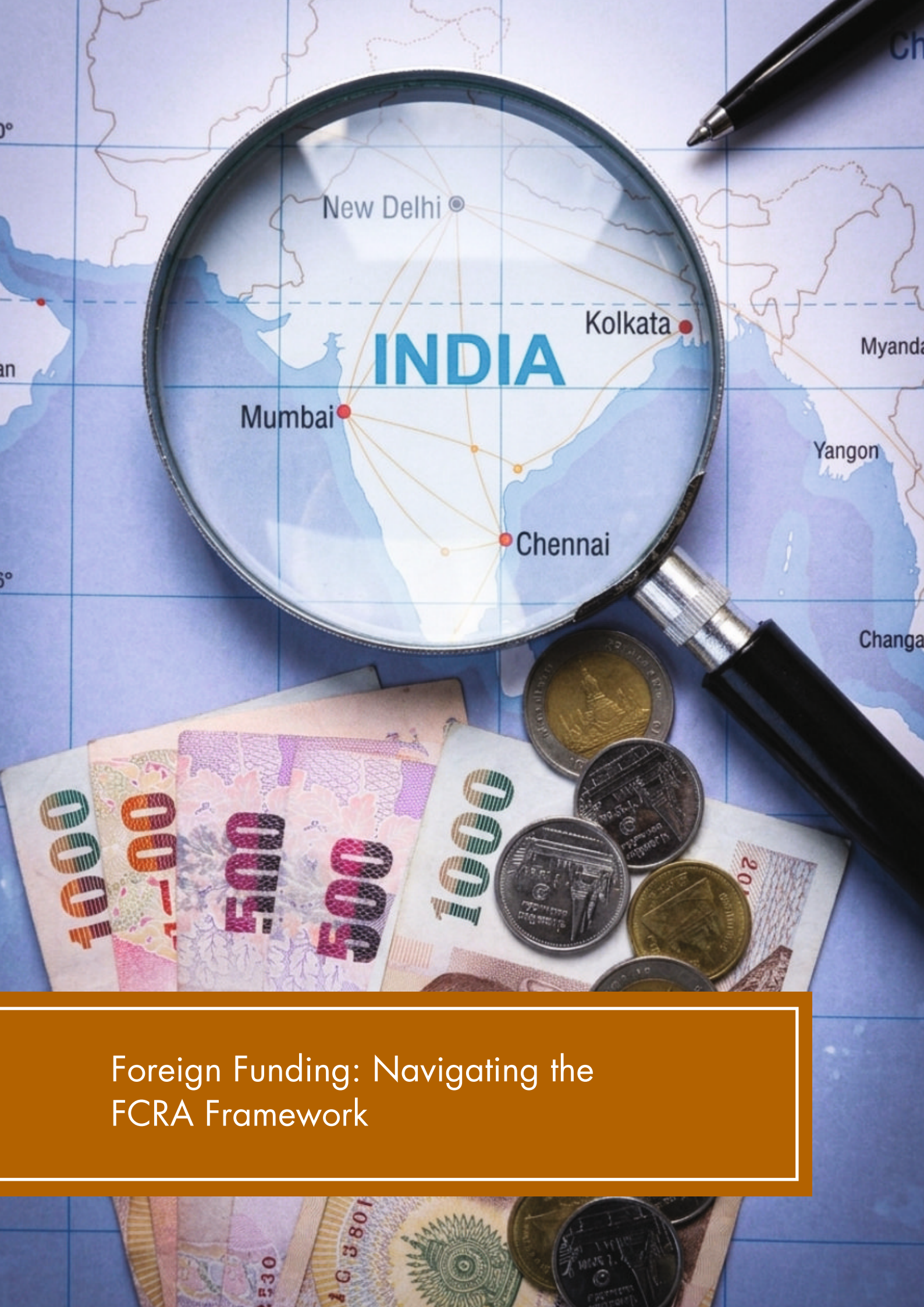
Beyond registration and exemption, NPOs must ensure that they are compliant with the applicable GST law, on a day-to-day basis; they must ensure that:

- All activities are analyzed to determine taxability and subsequent impact on taxable turnover
- All transactions are documented adequately and appropriately
- Identify cross border transactions, so that correct tax treatment can be applied
- Track and discharge GST on RCM basis even when outward supplies are exempt
- Timely file GST returns (Form GSTR-1/Form GSTR-3B) and annual forms (Form GSTR-9 and Form GSTR-9C).

## Insight:

For organisations that exist to serve the public, the first instinct is to focus on the objective and overlook tax matters. However, the experience of the last few years suggests that such comfort is misplaced. GST touches how NPOs design their programs, price their services, negotiate with donors and structure their operations. A considered GST strategy will go a great distance to ensure that NPOs are not only compliant but also financially resilient, operationally confident, and better able to protect scarce resources for mission-driven activities.





Foreign Funding: Navigating the FCRA Framework

Foreign funding remains a vital resource for India's non-profit sector. Its receipt and utilisation are governed by the **Foreign Contribution (Regulation) Act, 2010 (FCRA)** and accompanying Rules, which aim to ensure transparency, accountability, and protection of national interest. The framework defines who may receive foreign contribution, how it must be received, and the conditions for its use.

The FCRA applies to any "person" receiving foreign contribution in India, including Trusts, societies, and Section 8 companies, Associations or NGOs (registered or unregistered), Individuals, any entity receiving foreign grants

The Act prohibits receipt of foreign contribution by certain persons, including political parties and election candidates, Media entities in specified circumstances, Entities engaged in activities prejudicial to national interest etc.

#### Foreign Contribution & Foreign Source

Foreign contribution includes any donation, delivery, or transfer of Money (Indian or foreign currency), Securities, Articles from a foreign source.

#### Foreign Source Includes

- Foreign governments
- Foreign trusts and foundations
- Foreign citizens
- Foreign companies or Indian companies with majority foreign ownership
- International agencies (except those specifically exempt, such as UN bodies, World Bank, IMF, etc.)

#### Foreign Contributions does not include:

- Payments from foreign clients in the ordinary course of business
- Contributions from NRIs holding an Indian passport
- Purely domestic contributions

#### Fund Flow Controls

- All foreign contribution must first be received in the designated FCRA account at **SBI, New Delhi Main Branch (NDMB)**.
- Domestic funds cannot be mixed with foreign contribution.
- Interest earned on foreign contribution is treated as foreign contribution.
- Utilisation accounts may be opened, but funds must flow only through the designated FCRA structure.

## A.Registration & Prior Permission Framework

An organisation may receive foreign contribution only if it holds:

#### (i) FCRA Registration

- Valid for five years
- Requires minimum three-year track record
- Must undertake defined charitable, social, cultural, educational, or religious activities **OR**

#### (ii) Prior Permission

- Project-specific and donor-specific approval

#### Utilisation restriction & operational controls

Foreign contribution may be used only for purposes consistent with registered objects and approved activities. Key restrictions:

- Administrative expenses capped at 20% of foreign contribution received during the financial year, shortfall to be c/f to next year

- Sub-granting or transfer to another NGO is prohibited
- Speculative investments (e.g., shares, mutual funds, high-return schemes) are prohibited under the Rules.

#### Reporting and Disclosure

- Annual return to be filed within 9 months from the end of the financial year
- Quarterly disclosure of foreign receipts on the organisation's website
- Books of account to be preserved for at least six years
- Changes in bank account, office-bearers, address, or governing documents must be reported within prescribed timelines

Non-compliance may result in penalties, suspension, or cancellation.







## B.Suspension & Cancellation – Enforcement Mechanism Suspension:

- Receipt of new foreign funds is prohibited
- Utilisation of existing funds requires prior approval
- Only up to 25% of unutilised funds may be spent during suspension

### Cancellation:

- Registration may be cancelled for violations, non-filing, or activities prejudicial to national interest
- The organisation becomes ineligible for registration or prior permission for three years
- All the assets acquired out of FCRA funds vest with specified authority.

### Compliance Principles for Professionals

Focus Area	Action
 <b>Eligibility</b>	Check valid registration / prior permission
 <b>Funds receipt</b>	Only in designated FCRA account
 <b>Utilisation</b>	Only for approved activities
 <b>Record-keeping</b>	Maintain donor & utilisation trail
 <b>Reporting</b>	File FC-4 and quarterly disclosures on time
 <b>AML controls</b>	Donor KYC + beneficiary verification



### Insight:

India's FCRA regime reflects a deliberate shift from permissive regulation to structured scrutiny. Foreign funding is treated not as an entitlement, but as a conditional privilege tied to transparency, traceability, and alignment with national interest.

#### The compliance architecture emphasises:

- Centralised receipt
- Restricted utilisation
- Prohibition on fund layering
- Real-time disclosure and reporting

For NPOs, FCRA compliance has evolved from a finance function to a governance mandate. In today's regulatory climate, the sustainability of foreign funding depends less on access and more on demonstrable compliance integrity. The broader message is clear: **traceable funds, defensible governance, and disciplined documentation are now foundational to retaining foreign funding access in India.**




*The 2024 amendments to the FCRA Rules (notified on 31 December 2024 and effective from 1 January 2025) permit carry forward of unspent administrative expenses (within the 20% cap) to the immediately succeeding financial year subject to prescribed conditions.*



Governance, Internal Controls &  
Good Practices for NPOs

Strong governance is the cornerstone of a credible, compliant, and sustainable NPO. Donors, regulators, and beneficiaries increasingly expect transparent decision-making, ethical conduct, and disciplined financial management. The board and senior leadership set the organisational tone and are ultimately accountable for stewardship of funds and mission integrity.

AREA	KEY EXPECTATIONS (AREA)	PRACTICAL ACTIONS TO LOOK OUT FOR
 <b>Board Governance</b>	Skilled, independent, accountable board	<ul style="list-style-type: none"> <li>Balanced mix of finance, legal and programme expertise</li> <li>Defined tenure/term limits</li> <li>Board-approved governance policies</li> <li>Annual conflict-of-interest declarations</li> </ul>
 <b>Leadership Oversight</b>	Active fiduciary responsibility and compliance monitoring	<ul style="list-style-type: none"> <li>Regular board meetings with documented minutes</li> <li>Compliance dashboard reporting</li> <li>Periodic legal and financial reviews</li> </ul>
 <b>Financial Controls</b>	Integrity, transparency and segregation of duties	<ul style="list-style-type: none"> <li>Budget vs. actual monitoring</li> <li>Maker-checker framework</li> <li>Dual signatories for bank operations</li> <li>Supporting documentation for all expenditures</li> </ul>
 <b>Fund &amp; Grant Management</b>	Responsible utilisation and partner oversight	<ul style="list-style-type: none"> <li>Due diligence of implementing partners</li> <li>Written funding agreements</li> <li>Milestone-based disbursement</li> <li>Field monitoring and utilisation verification</li> </ul>
 <b>Related Party Transactions</b>	Need – benefit Test	<ul style="list-style-type: none"> <li>Comprehensive related-party register</li> <li>Mandatory disclosure of interest prior to board deliberations</li> <li>Recusal from decision-making where conflict exists</li> <li>Independent bench marking of remuneration and contracts</li> <li>Board-approved RPT policy</li> <li>Transparent reporting in financial statements</li> </ul>
 <b>Accounting &amp; Audit</b>	Accurate, standard-compliant record-keeping	<ul style="list-style-type: none"> <li>Preferably accrual-based accounting</li> <li>Donor-wise and project-wise tracking</li> <li>Timely statutory and donor audits</li> <li>Robust audit trail and document retention</li> </ul>

 <b>AML &amp; Ethical Conduct</b>	Prevention of misuse and financial crime	<ul style="list-style-type: none"> <li>• Donor and partner screening</li> <li>• Sanctions and watchlist checks</li> <li>• Beneficiary verification</li> <li>• Limited cash handling</li> <li>• Conflict-of-interest register</li> </ul>
 <b>Data Protection &amp; Privacy</b>	Safeguarding beneficiary and donor information	<ul style="list-style-type: none"> <li>• Consent-based data collection</li> <li>• Role-based access controls</li> <li>• Secure data storage</li> <li>• Cybersecurity protocols</li> </ul>
 <b>Whistleblower &amp; Safeguarding</b>	Ethical and safe organisational culture	<ul style="list-style-type: none"> <li>• Confidential reporting mechanism</li> <li>• Staff awareness and training</li> <li>• Child and vulnerable-group protection policies</li> </ul>
 <b>Internal Audit &amp; Monitoring</b>	Continuous risk management and performance review	<ul style="list-style-type: none"> <li>• Internal audit or third-party assurance</li> <li>• Risk register maintenance</li> <li>• Board-level reporting</li> <li>• Impact and performance tracking</li> </ul>

**Insight:**

Governance is no longer a procedural formality — it is a strategic function that underpins credibility, funding access, and long-term sustainability. As regulatory scrutiny and donor expectations intensify, NPOs must demonstrate that strong oversight, financial discipline, ethical safeguards, and transparent reporting are embedded in their operating model.

Organisations that invest in structured governance frameworks not only mitigate compliance and reputational risks but also strengthen stakeholder trust and institutional resilience. In today's accountability-driven environment, governance excellence is not optional — it is a defining attribute of responsible and future-ready non-profits.



Conclusion: Resilience, Governance & Future of India's NPO sector

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India's non-profit sector stands at an inflection point. With its deep grassroots presence and contributions across health, education, livelihoods, environment, and social protection, the sector remains central to the country's development architecture. At the same time, the operating environment is becoming more structured and accountability-driven — marked by clearer regulatory frameworks, enhanced compliance oversight, and outcome-oriented funding.

This transition reflects not constraint, but maturation. As the sector evolves, credibility, transparency, and governance discipline are emerging as decisive differentiators of long-term sustainability.

Regulatory oversight across registration, taxation, and foreign funding has intensified, strengthening institutional legitimacy while raising compliance expectations. Parallely, funding avenues — including CSR, institutional philanthropy, digital giving, and blended finance — continue to expand. However, capital is increasingly selective. Donors now prioritise organisations that demonstrate:


- Strong and independent governance
- Financial integrity and documented controls

- Regulatory compliance readiness
- Measurable impact and transparent reporting

In a landscape where many entities are registered but fewer remain consistently active and compliant, resilience is defined by sustained operational discipline - timely filings, visible program activity, credible disclosures, and robust internal systems.

Looking ahead, the sector's core challenge is not merely resource mobilisation, but institutional readiness. Addressing talent gaps, strengthening digital infrastructure, embedding internal controls, and adopting structured monitoring frameworks will be critical. Encouragingly, capacity-building support from CSR and institutional donors is rising, signalling recognition that governance and systems-strengthening are investments in impact.

The next phase of growth for India's non-profit ecosystem will be shaped by organisations that treat compliance as strategy, governance as infrastructure, and transparency as institutional capital. Those that embed these fundamentals will not only mitigate regulatory and reputational risks, but will also enhance funding access, partnership opportunities, and long-term impact.



## About Dhruva Advisors

Dhruva Advisors India Pvt. Ltd., a Ryan LLC affiliate, is a leading tax and regulatory advisory firm delivering high-impact solutions across India and key global markets. In a rapidly evolving tax environment, we help clients navigate complexity with clear, practical, and insight-driven guidance.

Founded in 2014, Dhruva has grown into one of India's most respected tax firms, operating from 12 offices across India and international locations in Dubai, Abu Dhabi, Saudi Arabia, and Singapore. Our leadership team includes 29 Partners, 9 Senior Advisors, 17 Associate Partners, and 43 Principals, supported by nearly 500+ professionals with deep technical expertise and a strong commitment to client outcomes.

Dhruva Advisors has been consistently recognized by International Tax Review, earning the 'India Tax Firm of the Year' award for five consecutive years (2017–2021) and maintaining a 'Tier 1' ranking through 2026. These accolades reflect our focus on accountability, innovation, and a client-first mindset.

Our expertise spans tax disputes, global structuring, advisory, and regulatory strategy. We support clients across industries including Aerospace & Defense, Agro & Chemicals, Automotive, Conglomerates, Education, Energy & Resources, Financial Services, Healthcare, IT & ITeS, Manufacturing, Pharma & Life Sciences, Private Equity, Real Estate, Transportation, Telecom, and Media.

Wherever tax complexity exists, Dhruva delivers clarity.

### Our recognitions

Dhruva Advisors has consistently been ranked as 'Tier 1' firm in General Corporate Tax, Indirect Tax, and Transfer Pricing, maintaining top-tier rankings through 2026.

Awarded 'India Tax Firm of the Year' at the ITR Asia Tax Awards for five consecutive years (2017–2021).

Recognized as the 'India Disputes and Litigation Firm of the Year' at the ITR Asia Tax Awards in 2018 and 2020.

Dhruva Consultants achieved ITR World Tax Ranking 2026:

- Tier 1 – Indirect Tax
- Tier 2 – General Corporate Tax, Transfer Pricing, Transactional Tax
- Other Notable: Tax Controversy

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