



**Direct Taxes Committee**  
**The Institute of Chartered Accountants of India**  
**1<sup>st</sup> September, 2022**

**Subject: Applicability of Explanation to Section 11 of the Income-tax Act, 1961 as inserted vide the Finance Act, 2022**

**Dear Professional Colleague,**

As you are aware that the DTC of ICAI has always been proactive in disseminating the knowledge and sharpening the skills of its members on issues in Direct Taxes.

Charitable Trust/Institutions are allowed exemption from payment of Income-tax under section 11, 12 and 13.

The Explanation inserted by the Finance Act 2022 in section 11 provides that for the purposes of this section, any sum payable by any trust or institution shall be considered as application of income in the previous year in which such sum is actually paid by it irrespective of the previous year in which the liability to pay such sum was incurred by the trust or institution according to the method of accounting regularly employed.

Stakeholders are raising the queries regarding the financial year from which this Explanation is applicable.

In this regard, Notes on Clauses proposing this amendment states as follow: -

*“It is also proposed to insert an Explanation to the said section so as to provide that for the purposes of this section, any sum payable by any trust or institution shall be considered as application of income in the previous year in which such sum is actually paid by it (irrespective of the previous year in which the liability to pay such sum was incurred by the trust or institution according to the method of accounting regularly employed by it).*

*It is further proposed to insert a proviso to the said Explanation to provide that where during any previous year any sum has been claimed to have been applied by the trust or institution, such sum shall not be allowed as application in any subsequent previous year.*

*These amendments will take effect from 1st April, 2022 and will, accordingly, apply in relation to the assessment year 2022-2023 and subsequent assessment years.”*

{Emphasis supplied}

**Warm Regards,**

**Chairman**  
**Direct Taxes Committee**  
**The Institute of Chartered Accountants of India**

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