

**Presentation at SRRF TAXATION & FCRA for NGOs
Workshop**

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FCRA – Recent Dvelopments

**By Subhash Mittal, FCA
Secretary, Socio Research Reform Foundation**

ISSUES TO BE COVERED

- ❑ Rule 6A : Articles for personal consumption
- ❑ Rule 24(3 & 4) : Transfer of funds from registered to another registered entity.
- ❑ Rule 24(1 & 2) : Transfer of funds from registered to non-registered entity.
- ❑ Opening of more than one bank account.
- ❑ Penalties on account of delay in filing of return
- ❑ Preparation of Annual Return–cash/accrual basis
- ❑ Auditor’s signature –are these required on FC6?
- ❑ Renewal of Registration
- ❑ Compounding Penalties

Rule 6A:Articles

- ❑ Any article received from a foreign source with a market value upto Rs 25000/- are covered under the above exemption.
- ❑ Earlier this was upto Rs 1000/-.
- ❑ For this exemption the article has to be given to a person for his personal use. (Thus for safety purpose one could treat it as only applicable to individuals). Possibly not applicable to NGOs.
- ❑ Could apply to persons receiving foreign hospitality.

Transfer of Funds to Other organisations

- Rule 24 (1 & 2) : Unregistered Organisations
 - Transferor organisation has to apply in Form FC10.
 - Give a declaration that amount proposed to be transferred to unregistered organisations will not exceed 10% plus that funds will not be transferred without receiving the permission.
 - Earlier requirement of DM permission dropped.

Transfer of funds.....cont'd

- ❑ Rule 24 (3) : Registered Organisations
 - No permission needed as required earlier.
 - However organisation is not being proceeded against.
 - Safety steps: Check online database available on FCRA website. (Penal Action, FC-6 returns not filed, List of NGOs who have not filed returns for 2009-10, 2010-11.)
- ❑ Rule 24 (4) : Compliance requirement
 - Transferor and Recipient both responsible for filing FC-6, it is applicable only for registered organisations.

Penalties on account of delay in filing of Annual Return

- ❑ Advised vide Notification No. SO 1070 (E) dt 26th April 2013.
- ❑ Delay of 90 days : 2% of the amount rec'd or Rs 10000 whichever is higher.
- ❑ Delay of 91-180 days : 3% -ditto- or
Rs 20,000 whichever is higher.
- ❑ Delay beyond 180 days : 5% -ditto- or
Rs 50,000 whichever is higher plus Rs 500 per day for delay beyond 180 days.
- ❑ While penalties are hefty, earlier it always created a fear that it could result in suspension / cancellation of FCRA itself.

Filing of Annual Return (FC6)

- ❑ Preparation of FC6 – How to ensure this is in agreement with accompanying Financial Statements
- ❑ Challenge is alignment with accompanying financial statements
- ❑ FC6 – Details of location
- ❑ If incorrect return filed – not possible to amend
- ❑ Auditor has to issue only CA certificate re FC6
- ❑ Online filing nowhere covered by law, but more a practice followed by Dept
- ❑ Hardcopy of signed return alongwith financial statements, certified bank statements, etc. to be filed within 30 days.

Compounding Rule

- ❑ Section 41 (1) allows compounding of offences which are not punishable by imprisonment only.
- ❑ Make Application to Secretary

<ul style="list-style-type: none">• Funds accepted without permission though not yet deposited in bank account• Contribution in kind without permission	2% Min. Rs 10K
Funds accepted without permission deposited in bank though not yet utilised	3% Min. Rs 25K
Funds accepted and utilised even though as per the terms	5% Min. Rs 100K

Thank You.

