CHAPTER 20 · COMPLIANCE MANUAL · 2024 EDITION

TRUST (Indian Trust Act)

*This chapter is an extract from **The RST Compliance Manual**, a regulator-mapped reference for Indian business entities curated by the partners of R S T & Co.*

A trust is an obligation annexed to the ownership of property, and arising out of a confidence reposed in and accepted by the owner, or declared and accepted by him, for the benefit of another, or of another and the owner.

A trust may be private or public. A public charitable & religious trust enjoys many exemptions/benefits under Indian income tax laws and GST laws on endowments and donations received.

A trust may be formed by competent persons who are trustees of the trust by means of deed of trust where property of the trust is entrusted and conditions of creation & carrying of trust is mentioned. It shall be registered with local registrar of trusts.

Under income tax laws, a trust has to be a public charitable trust for availing the benefits of exemptions.

20.1 Public Charitable activities

Public charitable activities include:

Relief of the poor

Education

Medical relief

Preservation of environments (including water sheds, forests and wild life) and preservation of monuments or places or objects of artistic or historic interest, and

The advancement of any other object of general public utility.

And, excludes:

Any activity in the nature of trade, commerce or business, or

Any activity of rendering any service in relation to any trade, commerce or business.

20.2 Forms

Forms	Description
Form 10A	Application for registration of charitable or religious trust or institution under section 12A(a)
Form 10B	Audit report under section 12A(b) of the income tax act, 1961, in the case of charitable or religious trusts or institutions
Form 10G	Application for grant of approval or continuance thereof to institution or fund under section 80G (5) (vi) of the income tax act, 1961.

20.3 Trust claiming general exemptions

Income derived from **property held under trust for charitable or religious purposes** to that extent.

Income in the form of **voluntary contributions** made with a specific direction that they should form part of the corpus of the trust or institution.

20.4 Conditions to claim the exemption u/s 11

The property from which income is derived should be held under a trust or other legal obligation.

The property should be held for charitable or religious purposes. In the case of charitable trust created on or after April 1, 1962, the further conditions are:

The trust should not be created for the benefit of any particular religious community or caste

No part of the income should enure, directly or indirectly, for the benefit of the settler or other specified persons; and

The property should be held wholly for charitable purposes.

The trust should be registered u/s 12A.

The funds of the trust should be invested or deposited in any one or more of modes or forms mentioned in section 11(5).

20.5 Important Section to remember (Income Tax Act)

Section	Explanation
Section 11	The income arising from property held under Trust constitutes the income of the Trust. It will mean income from property, business, dividends, interest on securities or other interest etc. It will also include donations received by the trust by virtue of the provisions of section 12. In other words, the income for the purpose of section 11 is the income as per the accounts of the trust.
Section 12	Income of trusts or institutions from contributions
Section 12A	Conditions for applicability of Section 11 & 12
Section 12AA	Procedure for registration under Income Tax Act

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End of Chapter. *For the complete Compliance Manual, additional chapters, or a tailored briefing for your finance and compliance teams, contact **info@rstandco.co.in**.*