# ITR-7 for NGOs and Trusts — How to File Your Annual Tax Return

ITR-7 is the Income Tax Return form for entities that file returns under Section 139(4A), 139(4B), 139(4C), or 139(4D) of the Income Tax Act. For NGOs and charitable trusts, the relevant provision is **Section 139(4A)** — which covers every person who receives income from propert...

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A compliance-primer

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**Who must file ITR-7:**

- Public charitable trusts registered under Section 332 of the IT Act 2025 (old 12A/12AB)
- Religious trusts with RNPO registration
- Societies registered as RNPOs
- Section 8 Companies with RNPO registration
- Educational institutions and hospitals under Section 10(23C)

**Filing is mandatory regardless of income level.** Even if your trust received zero income in a financial year and made zero expenditure, you must file a NIL ITR-7. Non-filing is treated as a compliance violation under Section 349 of IT Act 2025 and can eventually trigger loss of RNPO registration.

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## Key Concepts Before You Begin

### Regular Income vs Corpus Donations

**Regular income:** All receipts other than corpus donations — general donations, grants, service fees, interest on non-corpus investments, rental income. The 85% application rule applies to regular income.

**Corpus donations:** Donations received with a specific written direction from the donor that the amount shall form part of the corpus of the trust. Corpus donations go to the balance sheet (not income-expenditure account) and are not subject to the 85% application rule. They must be invested in modes specified under Section 350 of IT Act 2025.

**Why this distinction matters for ITR-7:** The form requires you to separately classify corpus and non-corpus donations. Getting this wrong can either artificially inflate your income (triggering unnecessary tax) or deflate it (which may suggest non-genuine activity to the assessing officer).

### The 85% Application Rule in ITR-7

The core RNPO tax exemption condition: at least 85% of regular income must be applied (spent) for charitable purposes in the financial year.

**In ITR-7 terms:**

- Schedule ER (Expenditure and Revenue) captures all receipts and applications
- The form calculates whether the 85% threshold is met
- If 85% is NOT met, the shortfall is taxable as income at the applicable rate

**Accumulation provision:** If you could not deploy 85% in the current year, you can accumulate (retain) the balance for future deployment by filing Form 10 (under IT Act 2025, or the equivalent form) **before the ITR-7 due date**. The form specifies the purpose for which the amount is accumulated and the period (maximum 5 years). Income accumulated under this provision retains its exempt status if eventually deployed as specified.

### Deemed Application (New IT Act 2025 Relaxation)

Under the IT Act 2025, the deemed application election — treating income receivable but not yet received as applied — can now be exercised **up to the ITR due date** (31 October). Under the old Act, this had to be done two months before the year-end. This is a practical relaxation that allows trusts to reconcile final year-end numbers before making the election.

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## Documents You Need Before Filing

Gather all of these before starting the ITR-7:

| Document | Why Needed |
|---|---|
| Audited financial statements | Income-expenditure account, balance sheet, receipts and payments — prepared and audited by CA |
| Form 10B or 10BB (CA audit report) | Must be uploaded by CA to the IT portal before you can file ITR-7 — confirm this has been done |
| RNPO registration certificate (Form 10AC or equivalent) | Required for Schedule details — registration number, date of registration, section under which registered |
| Section 354 approval details | For 80G-equivalent donor deduction schedule |
| Form 10BD acknowledgement | Confirmation that the annual donation statement was filed by 31 May |
| Bank statements | For all trust accounts — to reconcile against income figures |
| Trust PAN | Filed under this PAN |
| List of trustees | With PAN, Aadhaar, and addresses — for Schedule TP (related party details) |
| DARPAN ID | Required in the return |

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## Step-by-Step Filing Process

### Step 1 — Confirm the CA Has Uploaded Form 10B / 10BB

Before you touch the ITR-7, call your CA and confirm:

- The audit report (Form 10B or Form 10BB as applicable) has been uploaded to incometax.gov.in under your trust's PAN
- The audit is for the correct financial year
- There are no adverse observations in the audit that need addressing

If Form 10B/10BB is not uploaded, your ITR-7 filing will fail validation.

### Step 2 — Log In to the IT e-Filing Portal

Go to incometax.gov.in → Log in with the trust's PAN and password → e-File → Income Tax Returns → File Income Tax Returns.

Select the assessment year (for FY 2026-27, select AY 2027-28). Select ITR-7. Select "Continue."

### Step 3 — Fill the Basic Information

- Confirm trust name, PAN, address (as in RNPO certificate and DARPAN)
- Filing status: Original return (if filing for the first time for this year)
- Confirm RNPO registration details: Section number (Section 332, IT Act 2025), registration number, date of registration, validity period

### Step 4 — Income Schedule

**Schedule TI (Total Income):**

- Enter all receipts under appropriate heads: income from house property, income from other sources (interest, dividends), voluntary contributions (corpus and non-corpus separately), grants received
- For most trusts in early years: voluntary contributions (non-corpus donations) are the primary income item

**Voluntary contributions:**

- Non-corpus donations: Enter amount — these count as income subject to the 85% application rule
- Corpus donations: Enter amount separately — these go to the balance sheet, not the income-expenditure calculation

## Step 5 — Application Schedule

**Schedule PAMS (Amount Applied for Charitable Purposes):** Enter all expenditure on charitable activities:

- Direct programme expenditure
- Staff costs (programme staff)
- Overhead costs attributable to charitable activities
- Grants made to other RNPO-registered organisations

The form auto-calculates whether you have met the 85% threshold.

**If 85% not met:** Either enter accumulation details (you should have filed Form 10 before this step if using the accumulation provision) or accept that the shortfall is taxable.

## Step 6 — Balance Sheet and Capital Account

Enter the trust's balance sheet figures:

- Corpus fund (opening balance + corpus donations received - corpus donations returned)
- Accumulated funds (general reserves)
- Fixed assets (at written-down value after depreciation)
- Investments (must be in modes specified under Section 350 of IT Act 2025)
- Current assets (bank balances, receivables)
- Current liabilities

**Investment compliance:** Under Section 350 of IT Act 2025, trust corpus and accumulated funds must be invested in specified modes — government securities, nationalised bank deposits, public sector bonds, units of certain mutual funds. Invest in non-specified assets and the investment is deemed income in the year of investment.

## Step 7 — Schedule for Related Parties (Schedule TP)

The IT Act imposes strict rules on transactions between the trust and "specified persons" — trustees, their relatives, major donors with significant control, and associated entities. Report all such transactions. Any benefit provided to a specified person at non-arm's-length terms can lead to RNPO registration cancellation.

## Step 8 — Verify and Submit

Verify the ITR-7 using:

- **Aadhaar OTP (EVC):** Simplest method — authenticates via Aadhaar-linked mobile OTP of the authorised signatory (Managing Trustee)
- **Digital Signature Certificate (DSC):** Required if the trust has mandatory DSC

requirement (generally trusts under audit threshold can use EVC)
- **Physical verification (ITR-V):** Send signed paper copy to CPC Bengaluru — allowed but slow; use only if EVC/DSC options fail

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## Common ITR-7 Errors and How to Avoid Them

**Error 1: Form 10B/10BB not uploaded before ITR-7 submission** The system will not allow ITR-7 submission without the CA's audit report on the portal. Fix: Coordinate with your CA to upload by 15 September at the latest, giving yourself 2 weeks buffer before the 31 October deadline.

**Error 2: Corpus and non-corpus donations mixed up** Treating all donations as non-corpus income inflates your regular income and makes the 85% rule harder to meet. Treating corpus donations as non-corpus understates the corpus fund. Fix: At the time of receiving each donation, document whether the donor has given a written corpus direction. A simple one-line letter or email from the donor specifying "this donation of Rs. [X] is to the corpus of [Trust Name]" is sufficient.

**Error 3: Investments in non-specified assets** If the trust has kept money in equity shares, FDs at non-nationalised banks, or other non-Section-350 assets, this creates a compliance problem. Fix: Review the investment portfolio at the start of every financial year against Section 350's permitted list. Move non-compliant investments to permitted modes before year-end.

**Error 4: Missing the 85% threshold without filing Form 10** If you realise at ITR filing time that you spent only 70% of income on charitable activities and did not file Form 10 for accumulation, you face taxation on 15% of income. Fix: Monitor expenditure quarterly against the 85% target. If Q3 shows you are behind, accelerate deployment in Q4 — or file Form 10 before 31 March (or by ITR due date under the new Act's relaxed timeline).

**Error 5: NIL return not filed** New trusts with no activities and no income sometimes skip filing because "there is nothing to report." This is wrong. File the NIL ITR-7 by 31 October regardless. Non-filing of NIL returns is a compliance violation.

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## A Note for CAs Working with Odisha NGOs

Many CAs in Odisha's districts are experienced with business ITRs but have limited exposure to ITR-7 for charitable trusts. The key points specific to trust ITR-7 are:

- The 85% application rule and its interaction with the accumulation provision
- The corpus vs non-corpus donation distinction

- The new IT Act 2025 terminology (RNPO, Section 332, Section 354) vs old (12A, 80G)
- Section 350 investment compliance (which assets are permitted)
- Form 10B vs Form 10BB selection (the Rs. 5 crore threshold and FCRA receipt trigger)

JaBaSu's Compliance service can connect NGOs in Odisha with CAs familiar with trust compliance, and can provide supporting documentation templates for the filing process.

Contact: knowledge@jabasu.org | jabasu.org/contact

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Last verified: June 2026. ITR-7 is due by 31 October for audited trusts (trusts with income above Rs. 2.5 lakh). Filing is mandatory even for NIL income trusts. The Income Tax Act, 2025 (effective 1 April 2026) governs RNPO compliance — references to Sections 332, 349, 350, and 354 reflect the current law. Verify current form names and section codes on incometax.gov.in at the time of filing.

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