



# **GST on Charitable Institutions: An Overview**

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# Introduction

Charitable institutions, although driven by non-profit motives, are not completely excluded from the scope of Goods and Services Tax (GST). Their GST obligations depend on:

- The nature of services provided,
- Registration status under the Income Tax Act and
- The nature of income generated.

Understanding these factors is crucial for ensuring compliance and determining GST applicability for charitable entities.

# Exemption Framework under GST

**Notification No. 12/2017-Central Tax (Rate)** dated 28th June 2017 provides GST exemption (Entry No. 1) for some of the services by entities registered under **Section 12AA/12AB of the Income Tax Act, 1961**, when performed by way of charitable activities.

# Defined Charitable Activities

## **(I) Public Health Services**

- Counselling terminally ill patients
- HIV/AIDS, drug/alcohol de-addiction
- Public awareness on health, family planning, etc.

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## **Defined Charitable Activities**

**(II) Advancement of Religion, Spirituality or Yoga**

**(III) Education/Skill Development for:**

Orphans, homeless, abused, prisoners, aged people etc.

**(IV) Preservation of Environment**

*Exemption applies only if the institution is duly registered under 12AA/12AB.*

# Healthcare Services (Hospital Services)

*(Entry 74, Notification No. 12/2017 – Central Tax (Rate))*: **Exempted Services: Whether Charitable or not**

Services by way of **health care** by:

- **A clinical establishment**
- **An authorized medical practitioner**
- **Paramedics**

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# Healthcare Services (Hospital Services)

## Includes:

- Diagnosis, treatment or care for illness, injury, deformity, abnormality, or pregnancy
- Services under **any recognized system of medicine**
- Both **indoor** and **outpatient** services covered

## Excludes:

**Cosmetic or plastic surgeries** not medically necessary

# Educational Services

*Entry 66, Notification No. 12/2017 – Central Tax (Rate))*

**Exempted Services by Educational Institutions:**

**Whether Charitable or Not**

**Provided to students, faculty, or staff**

**Entrance Examination Fee**

**Applicable to:**

- **Pre-school to higher secondary level**
- **Institutions offering law-recognized qualifications**
- **Approved vocational education courses**

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# Educational Service

Service to Educational Institution Exempted

- Transportation
  - 
  - Catering
  - Security, Cleaning
  - Admission Related
  - Online Materials
- } Pre-school and upto higher secondary
- } NA to preschool and Hse and Voc Edn



# EDUCATIONAL SERVICES BY CHARITABLE INSTITUTION

Entry No.1

Exempt

**Education or skill development**  
to **special categories**: orphans, prisoners,  
homeless, rural elderly etc.

# Yoga and Spiritual Programs

## Entry No.1

### Exemption Conditions for Camps/Residential Programs:

- Organized by entities **registered under Section 12AA/12AB** of the Income Tax Act
- **Fees charged only for cost recovery**, including:
  - Boarding
  - Lodging
- **No commercial intent or profit motive** involved
- Focus must be on **spiritual advancement or yoga practice**

# Religious Activities and Ceremonies

## ***Entry No.13***

*Religious place” means a place primarily meant for prayers or worship by followers of a religion.*

### **Exempt Services:**

- Conduct of religious ceremonies
- **Renting of spaces owned by 12AA/12AB registered trusts,** subject to limits:
  - GST Exemption Limit :Rooms Less than ₹1,000/day
  - Kalyanamandapam/Open area Less than ₹10,000/day
  - Shops/Other Spaces Less than ₹10,000/month

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## Religious Activities and Ceremonies

Rental of properties **not part of a religious place** (e.g., commercial halls, non-prayer areas) is **taxable under GST**.

# Residential Programs or Spiritual Camps

**Circular No. 66/40/2018-GST dated 26-9-2018.**

Residential yoga, meditation, or spiritual programs **organized by charitable or religious trusts** are exempt from GST if:

- The trust is registered under Section 12AA/12AB.
- The primary objective of the camp is the advancement of religion, spirituality or yoga.

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# Residential Programs or Spiritual Camps

- Charges (if any) are only to recover costs including boarding and lodging.

However, **GST applies if the activity is primarily commercial** or includes services like accommodation or food not directly related to the spiritual objectives.

# Libraries and Pilgrimage Services

Entry No:50

- Public libraries are exempt irrespective of ownership.

Entry No:60

- Religious pilgrimages organized by notified bodies (e.g., Hajj Committee, Kumaon Mandal Vikas Nigam Limited are GST-free.) Exempt



# Taxable Activities Despite Charitable Status

GST is applicable if:

- Fitness activities (e.g., Zumba, aerobics) are conducted for a fee.
- Renting of commercial property (e.g., shopping complex).

# Taxable Activities Despite Charitable Status

- Sale of goods (other than charitable purposes).
- Sponsorship or advertising in charitable events (RCM applicable).
- Donation with advertising in return (quid pro quo).

# Registration Requirements

## **Mandatory GST Registration if:**

- Aggregate turnover exceeds ₹20lakhs (₹10lakhs in special category states).
- Income is earned through commercial/ancillary activities (e.g., pharmacy, rental).

## **Not Required if:**

- Only exempt supplies are made.
- Aggregate turnover is below threshold.

# Donations and Acknowledgements

As per **Circular No. 116/35/2019-GST:**

- GST is not applicable on donations **without quid pro quo.**
- Acknowledging donors (e.g., nameplates) is allowed, but if promotional in nature, it may be taxable.

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# **Donations and Acknowledgements**

## **Religious ceremonies taxable?**

No, any amount which is received for services relating to conducting any religious activities including any Poojas conducted during the event of birth, death or any ceremonies, irrespective of the religion, is exempt from GST.

# Service to Members by Association

Service to Members Taxable by Sec 7(1)(aa) vide finance act, 2021. Prior to it it was by Schedule II

IMA Case Law

# Relevant Legal References

- **Section 22** – Threshold limit for registration (Rs. 20 lakhs for services, Rs. 40 lakhs for goods).
- **Section 24** – Compulsory registration in certain cases, even if below threshold.(Inter state taxable supply, casual taxable person, Reverse charge mechanism, electronics commerce operator, TDS App, ISD,TCS Applicability.....)
- **Section 2(17)** – Defines “business” and includes even charitable institutions if they engage in business-like activities.

# Taxability of Goods Cultivated by Charitable Organizations

**Legal Definition – “Agriculturist”**

**Section 2(7), CGST Act, 2017:**

*“An agriculturist means an individual or a Hindu Undivided Family (HUF) who undertakes cultivation of land by own labour, by the labour of family, or by servants on wages in cash or kind.”*

**Only individuals or HUFs qualify — not charitable trusts.**

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## Taxability of Goods Cultivated by Charitable Organizations

Charitable trusts **do not qualify** as "agriculturists"

Even if they engage in farming, **no exemption is available** under the agriculturist clause.

GST **applies** unless another **specific exemption** exists (e.g. PRODUCTWISE).

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# **Taxability of Goods Cultivated by Charitable Organizations**

Products:

**Pepper-Taxable**

**Rubber Sheets-Taxable**

**Rubber Wood -Taxable**

**Coconut- *Not taxable***

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# Taxability of Goods Cultivated by Charitable Organizations

Under **Section 22 of the CGST Act**, a person is liable for **GST registration** if aggregate turnover exceeds the prescribed threshold (₹20/₹40 lakh, as applicable).

**What is included in “Aggregate Turnover”?**

**Taxable supplies, Exempt supplies, Exports, Inter-state supplies. Even exempt agricultural produce (e.g., coconut) is counted toward the turnover limit for registration.**

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# **Taxability of Goods Cultivated by Charitable Organizations**

**Charitable trusts engaged in any taxable sale activity must check if their total turnover crosses the threshold — registration may still be required!**

## Entry No 9D

Services by an old age home run by Central Government, State Government or by an entity registered under section 12AA of the Income –tax Act, 1961(43 of 1961) to its residents(aged 60 years or more) against consideration up to **Twenty-Five Thousand** rupees per month per member, provided that the consideration charged is inclusive of charges for boarding, lodging and maintenance.

# Rehabilitation , Therapy or Counselling

Entry No. 74A

Services provided by rehabilitation professionals recognized under the Rehabilitation Council of India Act, 1992(34 of 1992) by way of rehabilitation, therapy or counselling and such other activity as covered by the said Act at medical establishments, educational institutions, rehabilitation centers established by Central Government, State Government or Union territory or an entity registered under Section 12AA.

# Sports and Culture -Exemption

Entry No.80

Services by way of training or coaching in recreational activities relating to-

- arts or culture, or
- sports by charitable entities registered under section 12AA of the Income –tax Act

# Conclusion

While GST provides several exemptions for charitable activities, these benefits are conditional. Charitable institutions must ensure compliance with registration norms and monitor their income streams to determine tax liability. Activities with commercial attributes are taxable, regardless of the entity's charitable status.





# THANK YOU

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