

# Filing of ITR-7

By

CMA S VENKANNA  
COST ACCOUNTANT

# Structure

- What is ITR 7
- Eligibility Criteria
- Filing of Audit Reports
- Structure of Form ITR 7
- How to Fill the Form
- How to File
- Verification
- Acknowledgement

# Form ITR 7

Sl.No.	Schedule Name	Schedules for Filing Income Tax Returns	Description Click on applicable links to navigate to the respective sheet / schedule.
1	<a href="#">PI</a>	Personal Information, Other Details	Personal Information, Filing Status, Other Details
2	<a href="#">Audit</a>	Audit Details	Audit Information
3	<a href="#">Schedule I</a>	Schedule I	Details of amounts accumulated / set apart within the meaning of section 11(2)
4	<a href="#">Schedule J</a>	Schedule J	Details Of Investment Of Funds
5	<a href="#">Schedule K</a>	Schedule K	Statement of particulars regarding the Author(s) / Founder(s) / Trustee(s) / Manager(s), etc., of the Trust or Institution
6	<a href="#">Schedule LA</a>	Schedule LA	Political Party
7	<a href="#">Schedule ET</a>	Schedule ET	Electoral Trust
8	<a href="#">Schedule VC</a>	Schedule VC	Voluntary Contributions
9	<a href="#">Schedule AI</a>	Schedule AI	Aggregate of income referred to in section u/s 11 and 12 derived during the previous year excluding Voluntary contribution forming part of corpus as per section 11(1)(d) and voluntary contributions
10	<a href="#">Schedule ER</a>	Schedule ER	Amount applied to charitable or religious purposes in India during the previous year - Revenue Account
11	<a href="#">Schedule EC</a>	Schedule EC	Amount applied to charitable or religious purposes in India during the previous year–Capital Account [excluding application from borrowed funds and amount exempt u/s 11(1A)]
12	<a href="#">Schedule IE-1</a>	Schedule IE-1	Income & Expenditure statement (Applicable for assessee claiming exemption under sections 10(21),10(22B),10(23AAA),10(23B), 10(23D), 10(23DA), 10(23EC), 10(23ED), 10(23EE), 10(29A), 10(46), 10(47) and other clauses of section 10 where income is unconditionally exempt)
13	<a href="#">Schedule IE-2</a>	Schedule IE-2	Income & Expenditure statement (Applicable for assessee claiming exemption under sections 10(23A), 10(24) )
14	<a href="#">Schedule IE-3</a>	Schedule IE-3	Income & Expenditure statement (applicable for assessee claiming exemption under sections 10(23C)(iiiab) or 10(23C)(iiia) (please fill up separate schedule for each institution)
15	<a href="#">Schedule IE-4</a>	Schedule IE-4	Income & Expenditure statement (applicable for assessee claiming exemption under sections 10(23C)(iiia) or 10(23C)(iiib) (please fill up separate schedule for each institution)
16	<a href="#">Schedule HP</a>	Schedule HP	Details of Income from House Property

# continue

17	<a href="#">Schedule CG</a>	Schedule CG	Capital Gains
18	<a href="#">Schedule OS</a>	Schedule OS	Income from other sources
19	<a href="#">Schedule OA</a>	Schedule OA	General. Do you have any income under the head business and profession?
20	<a href="#">Schedule BP</a>	Schedule BP	Income From Business Or Profession
21	<a href="#">Schedule CYLA</a>	Schedule CYLA	Details of Income after set-off of current years losses
22	<a href="#">Schedule PTI</a>	Schedule PTI	Pass Through Income details from business trust or investment fund as per section 115UA, 115UB
23	<a href="#">Schedule SI</a>	Schedule SI	Income chargeable to tax at special rates
24	<a href="#">Schedule 115TD</a>	Schedule 115TD	Accreted income under section 115TD
25	<a href="#">Schedule FSI</a>	Schedule FSI	Details of Income accruing or arising outside India
26	<a href="#">Schedule TR</a>	Schedule TR	Details of Income from outside India and tax relief
27	<a href="#">Schedule FA</a>	Schedule FA	Details of Foreign Assets
28	<a href="#">Schedule SH</a>	Schedule SH	SHAREHOLDING OF UNLISTED COMPANY
29	<a href="#">PART-B-TI &amp; TTI</a>	PART B TI , PART B TTI	State of Income, Tax Liability
30	<a href="#">IT</a>	18A	Details of payments of Advance Tax and Self-Assessment
31	<a href="#">TDS</a>	18B	Details of Tax Deducted at Source (TDS) on Income
32	<a href="#">TCS</a>	18C	Details of Tax Collected at Source (TCS)
33	<a href="#">Verification</a>	Schedule Verification	Verification

# Who can file ITR-7

- Under Section 139 (4A)- if they earn from a charitable /religious trust
  - Income Tax filing under Section 139(4A) is for any person who receives income from property used solely or partially for charitable or religious purposes. For file Income Tax return by using ITR 7, one must be held under a legal obligation or as a trust.
- Under Section 139 (4B)- if they earn from a political party
  - Section 139(4B) specifically applies to political parties. While political parties get an exemption from taxation u/s Section 13A, this exemption applies only at the time of filing an annual return using ITR 7. Section 13A also prescribes a basic exemption limit for political parties, thus ITR Form 7 needs to be filed only if the political party breaches this exemption limit.

# Who can file ITR 7 contd.

- Under Section 139 (4C)- if they earn from scientific research institutions
  - According to the existing Income Tax Rules, it is mandated for the following entities to file return by making use of the ITR7 u/s 139 (4C):
    - Scientific research association
    - News agency
    - Association or institution referred to in Section 10(23A)
    - Various types of institutions listed in Section 10(23B)
- Under Section 139 (4D)- if they earn from university or colleges or institutions or khadi and village industries
  - According to the rule of Section 139(4D), all institutions, universities, and colleges who are not covered under any other section are mandated to file their income tax returns by using ITR Form 7

# Eligibility criteria

- Any taxpayer can use ITR-7 Form for filing Income Tax Return if they file as a
- Trust,
- Company, Registered under section 25 of Companies Act 1956 or Section 8 of Companies Act 2013
- Firm,
- Local authority,
- Association of Person (AOP) or
- Artificial Judicial Person
- and claims exemption under Section 139 (4A), Section 139 (4B), Section 139 (4C) or Section 139 (4D)

# Application of Income

- Charitable and Religious Trusts
- (A). Accumulation of Income [Section 11(2)]
- Where 85 % of the income is not applied to charitable or religious purposes , the charitable trust or institution may accumulate or set apart either the whole or part of its income for future application for such purposes.
- Such income so accumulated, or set apart, is not included in the total income of the trust in the year of receipt of income.
- For this purpose, such trust has to inform the concerned Assessing Officer the purpose and period (which in no case can exceed 5 years) for which the income is accumulated or set apart. This information has to be given electronically in Form No. 10. The benefit of accumulation is not available if Form No. 10 is not uploaded before the due date of filing return of income specified under section 139(1) for the fund or institution.
- Further, the money so set apart or accumulated should be in the modes specified in section 11(5).
- The benefit of accumulation is not available if return of income is not furnished before the due date of filing return of income under section 139(1).



# Basic Understanding to file ITR7

- Computation of Income

# Default

- If in any year, the income which is accumulated for the specified purpose (or purposes) of the trust, is applied to purposes other than charitable or religious purposes or ceases to be accumulated for application for such purposes, it will become chargeable to tax as the income of that year.
- If in any year, the accumulations cease to remain invested in securities specified in section 11(5) then also the income so accumulated will become chargeable to tax as the income of that year.
- If the accumulations are not utilised for the specified purposes during the period of accumulation or in the year immediately following the expiry of that period, then the accumulations to the extent they are not so utilised, will become chargeable to tax as income of the previous year immediately following the expiry of that period.

- Payment to other trusts and institutions out of income from property held under trust in the year of receipt of such income is treated as application of income. However, any payment out of accumulated income to other trust/institution (not being payment in the year in which trust claiming exemption is dissolved) shall not be treated as application of income and will be taxed in the year in which such payment or credit is made out of accumulated income.
- Sometimes failure to apply the income so accumulated or set apart in the specified manner may arise due to circumstances beyond the control of trustees. In such a case, the Assessing Officer may, on the receipt of an application from the person in receipt of the income, allow such income to be applied for such other charitable/ religious purposes in India as are in conformity with the objects of the trust/institution.

# Accumulation of Income

- assessee is allowed to accumulate upto 15% of the income earned during the year for application for charitable or religious purposes in India in future. If the assessee wants to accumulate or set apart the income in addition to 15% of the income, he can do so if certain conditions are satisfied. In this case, the amount accumulated in excess of 15% shall be deemed to have been applied for charitable or religious purposes in India during the previous year itself.
- Section 11(2) further liberalises and enlarges the exemption given under section 11(1)(a). A combined reading of both the provisions would clearly show that section 11(2), while enlarging the scope of exemption, removes the restriction imposed by section 11(1)(a) but it does not take away any the exemption allowed by section 11(1)(a).

# Conditions for exemption – Sec.11(2)

- Exemption under section 11(2) shall be allowed subject to the following conditions being satisfied:
- such person furnishes a statement in Form No. 10 electronically either under digital signature or electronic verification code to the Assessing Officer, stating the purpose for which the income is being accumulated or set apart and the period for which the income is to be accumulated or set apart, which shall in no case exceed five years;
- the money so accumulated or set apart is invested or deposited in the forms or modes specified in section 11(5);
- the statement referred to in clause (a) is furnished on or before the due date specified under section 139(1) for furnishing the return of income for the previous year.
- Provided that in computing the period of five years referred to in clause (a), the period during which the income could not be applied for the purpose for which it is so accumulated or set apart, due to an order or injunction of any court, shall be excluded.

# Sec.12A

- Once the Trust Organization or NGO is established, they have to register as per Section 12A of the Income Tax Act for claiming exemption under Section 11 and 12 of the Income Tax Act. Section 12A enables non-profit entities such as Charitable Trusts, Non-Profit Organisation, Welfare Societies, Religious Institutions etc to claim full tax exemption as per Section 11 and 12 of the Income Tax Act, 1961. The non-profit entities do not work for profit, rather for the welfare of the people and the society, and are hence, non-profits. As their work is considered a selfless act and they essentially do the work that the government ought to do, they are provided with tax-exemptions.
- If any non-profitable trust or NGO has not registered for 12A, their financial receipts or transactions would be considered as taxable.
- Private or family trusts are not allowed such exemptions and cannot obtain 12A registration.

# Filing of Form 10A

- Along with the above documents the trusts, societies and NGOs can file form 10A through the online portal. The income tax department has created a separate online portal for income tax forms. The applicant should open the online e-filing portal and further should click on the submit/return forms tab. The applicant should log on to the portal by creating their username and password. In the form Sections select the form 10A and select the assessment year and submission mode. Then 'prepare and submit online' tab allows the applicant to fill out the application for further process. Once the application form is filled online, the income tax commissioner will make an inspection and ask for the required documents if necessary. When the trust receives registration, it is valid for its lifetime. The renewal of registration is not required for the trusts and NGOs unless there are some modifications in the provision.

# Guidelines for Charitable Organisations

- Even if the trusts and NGOs are registered, there are some terms and guidelines related to Section 12A and Section 80G. These are:
- If charitable organizations registered as NGO are working for a specific caste or community, then the NGO will be disqualified from the exemption of tax.
- If the NGO or trust has their other business through which they have other income then they are not eligible for the exemption.
- The trusts and NGOs should only accept cash donations till an amount of Rs 5,000 from the donors.
- Amounts exceeding Rs 5000 should be done through electronic transfer or through cheque.
- These trusts and NGOs should regularly maintain account books and receipts otherwise will be non-eligible for the exemption.
- The NGO should also be registered under the Societies Registration Act of 1860 or Section 8 Company Registration Act of 2013.



# Grants

- The grants received from the government and other agencies are beneficial for such trusts and organizations. Such grants can be used for the infrastructure development, basic facilities, health and hygiene, and overall welfare of the society. These are registered under Section 12A which exempts them from paying income tax.
- The charitable trust or NGO should spend more than 85% of their income on welfare or religious purposes in order to get tax exemptions.
- They should be registered with Section 12A and Section 80G in order to gain exemption from tax on the generated income.
- The main expenditure should be on the education, medical, health and sanitation, and general relief of the needy. Other practices include conservation of environment, history and arts, improving standards of public utilities and general awareness.
- Sections 12A and 80G are the most appreciable Sections in the Income Tax Act which directly and indirectly provide a lot of benefits to society. The only requirement that trusts and NGOs should fulfil is that they should follow the guidelines provided in these Sections. Various trusts and NGOs which are registered under these Sections provide maximum overall benefits to the economic development of the country through their constant social welfare. It is necessary for trusts, NGOs, and societies involved in religious or social welfare work to get themselves registered under Section 12A of the Income Tax Act by the Department of Income Tax, Government of India.

# Sec.13A – Political Party

- Political party for the purpose of Section 13A means a political party which is registered under Section 29A of the Representation of the People Act, 1951.
- Political parties are barred from taking any activity of a commercial nature and thereby earning profits. This does not mean political party does not have any income at all. As already mentioned, political parties are allowed to accept voluntary contributions under RPA. Further, political parties may also be owning immovable properties or deposits which might be earning some income. Political parties may have income from the sale of coupons, membership fee collected, and more.
- However, Section 13A has given 100% exemption to political parties on its income from house property, income from other sources, capital gains and voluntary contributions received from any person however, subject to conditions. These have been discussed below.

# Conditions for Sec.13A Exemption

- The exemption u/s 13A will be allowed to the political party if the following conditions are satisfied. These details should be furnished in Schedule LA.
  - Books of accounts are maintained.
  - Record of each voluntary contribution in excess of twenty thousand rupees is maintained
  - The accounts are audited
  - Report under sub-section (3) of section 29C of the Representation of the People Act, 1951 for the financial year is submitted

# Conditions under Sec.13B

- The exemption u/s 13B will be allowed to the Electoral trust if the following conditions are satisfied. These details should be furnished in Schedule ET.
  - Books of accounts are maintained.
  - Record of each voluntary contribution is maintained
  - Record of each person to whom voluntary contribution has been distributed is maintained
  - The accounts are audited
  - Report as per rule 17CA(14) is furnished to the Commissioner of Income-tax or Director of Income-tax

# Filing of ITR

- Political parties are required to furnish their return of income in ITR 7. ITR contains following major information to be filled by political parties:
- *Balance sheet* – broad information regarding main source of funds (corpus/general funds, loans etc) and application of funds (asset, investment, advances etc)
- *Income and Expenditure Account* – Income from fee/grants, donations sale of coupons etc and expenses
- *Contribution report* – Details regarding donors who made contribution in excess of Rs 20,000
- Whether political party is registered under Section 13A
- Whether report under Section 29C of RPA is filed and date of submission of report

# Compulsory filing

- Yes, though political party has 100% exemption on specified income, it is not given any relief from furnishing return of income. Any political party as per Section 13A is required to furnish return of income under Section 139(4B) if its income exceeds maximum amount not chargeable to tax (limit is computed before taking into consideration Section 13A exemption). Tax slab applicable for political parties is same as the one applicable to normal resident individual.
- It is the responsibility of the Chief Executive Officer of the political party to file the return of income and also to sign and verify the same.

# Basic Understanding for filing ITR-7

- SECTIONS UNDER WHICH EXEMPTION IS CLAIMED AND FORMS TO BE FILED ALONG WITH RETURN OF INCOME
- RETURN U/S
- EXEMPTION CLAIMED U/S
- FORMS TO BE FURNISHED ON OR BEFORE THE DUE DATE OF FILING RETURN OF INCOME

# Sec.139(4A)

- Exemption claimed under section 11
- FORMS TO BE FURNISHED ON OR BEFORE THE DUE DATE OF FILING RETURN OF INCOME
  - Audit Report in Form 10B to be e-filed.
  - Form 9A to claim exemption under clause 2 of explanation to section 11(1) (Deemed Application)
  - Form 10 to claim exemption under section 11(2) (Accumulation)



# Sec.139(4B)

- Exemption
  - Sec.13A and 13B
  - For Electoral Trust (Sec. 13B) Audit Report in Form 10BC to be filed with the Jurisdictional Commissioner before due date for filing of the return

# Section 139(4C)

- Exemption under section
  - Section 10(21), 10(22B), 10(23A), 10(23B), 10(23C)(iiiab), 10(23C)(iiiac), 10(23C)(iiiad), 10(23C)(iii ae), 10(23C)(iv), 10(23C)(v), 10(23C)(vi), 10(23C)(via), 10(23D), 10(23DA), 10(23FB), 10(24), 10(46), 10(47), 10(23AAA), 10(23EC), 10(23ED), 10(23EE) and 10(29A)
- Forms to be used

For claim of exemption u/s 10(23C)(iv)/(v)/(vi)/(via), Audit Report in Form 10BB to be e-filed.

# Section 139(4D)

- Exemption under section
  - Section 10(21) read with section 35(1)

# Compulsory Schedules to be filled in

- Political Party
  - Schedule LA and Sch HP, OS and Sch BP for income from business – business income is not exempt u/s 13A. House property income and Interest if entered in schedule HP and OS are eligible for exemption
- Electoral Trust
  - Schedule ET
- Trust/institution claiming exemption u/s 11 and/or 10(23C)(iv) or 10(23C)(v) or 10(23C)(vi) or 10(23C) (via)
  - Schedule VC if any voluntary contribution is received and Schedule AI. For exemption, Schedule ER(revenue) and Schedule EC (Capital)

# Forms

- Assessee claiming exemption under any of the clauses of section 10(21), 10(22B), 10(23AAA), 10(23B), 10(23FB), 10(23D), 10(23DA), 10(23EC), 10(23ED), 10(23EE), 10(29A), 10(46), 10(47) and persons whose income is unconditionally exempt under various clauses of section 10
  - Schedule IE 1
- Assessee claiming exemption under sections 10(23A), 10(24)
  - Schedule IE 2
- Assessee claiming exemption under sections 10(23C)(iiiab) or 10(23C)(iiiac)
  - a) Schedule IE 3 b) Schedule VC for Government Grants received.
- Assessee claiming exemption under sections 10(23C)(iiiad) or 10(23C)(iiiiae)
- Schedule IE 4

# Avoid Mistakes

- i. In Schedule Part General (1), assessee has to select the applicable Status and sub-status for taxation purposes. AOP is liable to tax at Maximum Marginal Rate except if the AOP is registered under Society Registration Act 1860 or corresponding Act of the states in India. (sec 167B)
- ii. Persons who are required to file return u/s 139(4A), 139(4B), 139(4C) & 139(4D) should file return in ITR-7. Ensure applicable exemption has been claimed in schedule Part B-TI.

- iii. Sl. No. 1 to 7 of schedule Part B-TI has to be filled by persons registered u/s 12A/12AA and Section 10(23C)(iv)/(v)/(vi)/(via) (Schedule VC, AI, ER and EC) and Schedule I for institutions claiming accumulation under section 10(23C)(iv/v/vi/ via).
- iv. Amount of Exemption under clauses of Section 10 has to be entered in Schedule Part BTI (Sr.no.8 and 9) against the section which has been selected in Schedule Part A General (1)- Personal Info. For the clauses not covered in sl.no. 8 and 9, amount has to be entered against sl.no.10.

- v. Where a trust or an institution is registered u/s 12A/12AA, such trust / institution shall not be allowed exemption under any clauses in section 10 [other than clause (1) and clause (23C) thereof].
- vi. Where a trust or an institution is approved u/s 10(23C)(iv/v/vi/via), such trust / institution shall not be allowed exemption under any other clauses in section 10 [other than clause (1)].
- vii. Where TDS has been claimed ensure that the corresponding receipts are disclosed in the income schedules applicable to the assessee.
- Disclosure of receipts is required to allow credit of TDS as per rule 37BA.



# Filing by DSC

- **How to Upload Income Tax Return Online using a Digital Signature**
- **Step 1:** Fill out and properly prepare the [Income Tax Return](#) form, generate the file as an XML file, and save it on your local computer system.
- **Step 2:** Open the login page of the Income Tax India website, and, using your credentials, log into your private income tax management dashboard.
- **Step 3:** Find and click on the tab that says “Submit Return”, and then select the appropriate Assessment Year.
- **Step 4:** Select the Form Name from the drop down menu that’s provided on the page.
- **Step 5:** The next field asks the question “Do you want to Digitally sign the file?” select the “Yes” option.
- **Step 6:** The next field requires you to choose the type of digital signature you wish you use – “Sign with .PFX file”, or “Sign with USB Token”. Pick the right option depending on your personal income tax return filing requirements, and upload the Income Tax Return using the Digital Signature Certificate, and authenticate the same.
- Using a digital signature and e-filing the income tax return has a number of benefits, not limited to streamlining the efficiency of the entire process. It ensures a reduced amount of fraud and misrepresentation and ensures that individual taxpayers take individual responsibility for managing their own finances in terms of [filing income tax returns](#). In addition to this, it also ensures that the Income Tax Department gets to work processing the refunds as soon as the file has been uploaded.

# Registration of DSC

- **Step 1:** To get started with the process of registering and using a digital signature for the purposes of e-filing income tax returns, one must first log on to the [Income Tax India](#) website.
- **Step 2:** Once on the official [Income Tax e-filing](#) website, the assessee must click on the “Log In” button.
- **Step 3:** Users that have already registered with the IT department on the website can log in using their User ID and Password. After entering the correct details, click on “Login”.
- **Step 4:** Once logged in, the assessee must click on the button that says “My Account”.
- **Step 5:** In the “My Account” tab, select the option that says “Update Digital Certificate”. Once clicked, a download should automatically start – or the user will be faced by certain prompts and warnings of potential danger to the computer system because of an attempted download from an untrustworthy source. Click “Yes”, “Accept”, or “Continue” depending on the browser being used.
- **Step 6:** A download should start at this point, which contains a file from the Income Tax Department called “StoreCertificate”. This will store a local copy of the digital signature on your computer system.
- **Step 7:** Go back to the open web page and click on “Upload your USB Token”. This will take you to a page with a button that says “Select your USB Token Certificate” and “Browse”. Click on this button and it will open a selection prompt window.
- **Step 8:** In the selection window, find and select the file you just downloaded. It’s usually found in the path C:\WINDOWS\system32\eTPKCS11.dll.
- **Step 9:** Select the file mentioned above (eTPKCS11.dll) and click “Okay”, then enter the PIN code (Token Password), and then click on “Sign”.