

Some charities raise funds from donors for their work. Others, such as schools and hospitals, recover charges for goods and services they provide at a no-profit, no-loss basis. Recovering even nominal charges for services or goods from others makes these charities vulnerable to levy of GST.

In this issue of AccountAble, we look at situations when such charities can charge people without the fear of GST. We also look at ways such charities can unwittingly end up in the GST compliance net.

## C1. GST on Religious Ceremonies

**Trap:** Some religious activities, such as conduct of religious ceremonies, are exempt from GST. In most religions, birth, marriage and death are considered religious ceremonies. However, only the payment to priest for conducting the ceremonies is exempt — not payment for cultural activities associated with the event.

**Tip:** Most religions teach that pursuit of money is futile. Therefore, resist the temptation to show the entire expense as fees to the priest!

## C2. GST on Renting of Religious Places

**Trap:** Renting out premises by a tax-exempt charitable or religious organisations is not charged to GST, if:

1. These are meant for general public.
2. These are attached to a religious place such as a temple, church, mosque, etc.
3. Rent does not exceed prescribed limits:
  - a. Rs. 1,000 per day for rooms,
  - b. Rs. 10,000 per day for halls or open areas,
  - c. Rs. 10,000 per month for shops, etc.

Other receipts, such as parking fees, advertisement charges, charges for filming, etc. are chargeable to GST.

**Tip:** Check that the premises claimed as exempt are next to or joined with a religious place and are



under the same management (or owned by the same entity). Also make sure that limits on rent are observed or pay GST.

If this is not so, then follow the advice of Lord Jesus Christ and render unto Caesar....

### C3. Selling Medicines to Patients

**Trap:** Services provided as part of charitable activities (as defined under GST) are exempt from GST. However, this exemption does not cover sale of goods — even as part of charitable activities. Sale of goods will attract GST at applicable rates, if you cross the aggregate turnover limit (Rs. 10/20 lakh\*). This could expose the organisation to paying reverse charge on services or goods purchased from unregistered vendors.

### Devotees and Prasad

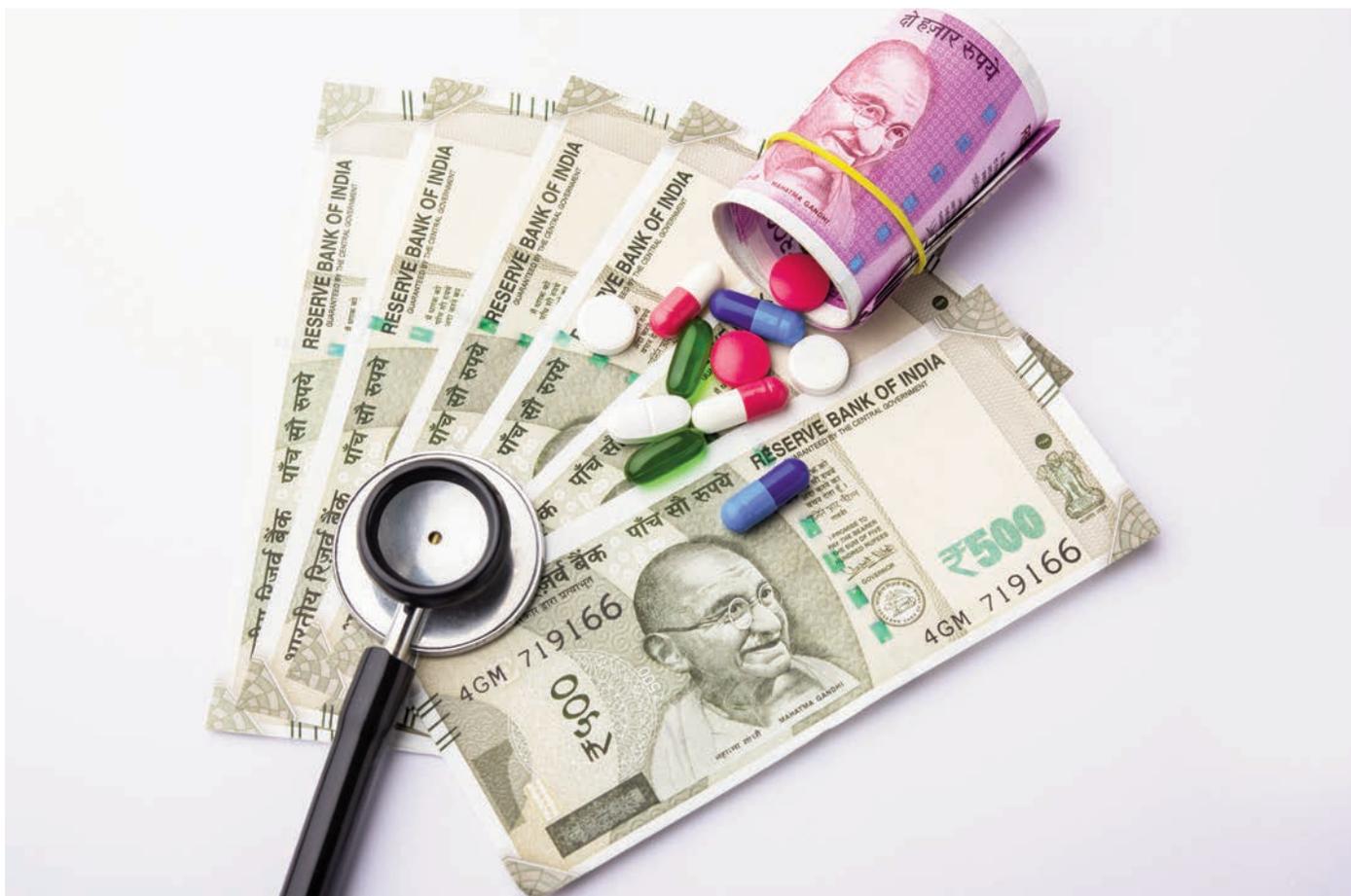
A Gurudwara runs a free langar service for all and sundry. People who have food are not required to pay anything.

Provisions for this are collected from nearby areas. Money is also contributed by devotees. Incidentally, GST paid on input items can be claimed back from the Government under Seva Bhoj Yojana if the langar serves at least 5,000 persons daily.

Sometimes people eating at the langar donate some money in the donation box. As there is no direct connection between eating and the donation, no GST is attracted.

What about GST on prasad? If the prasad is provided free of charge, then no GST is attracted. If the devotees buy prasad from a religious body, the rate of GST is 0%.

However, if the devotees buy prasad from a nearby shop and offer it to the deity, GST will remain applicable.



**Tip:** See whether sale of goods can be done by a separate trust or for-profit entity which has GST registration.

#### C4. Giving Fee-based Services

**Trap:** Most fee-based services are covered under GST. It does not matter that the fees charged by you are lower than market rates. Similarly, recoveries for use of vehicles, training hall, equipment, meals, etc., may be viewed as taxable under GST. Sometimes an NGO enters into a fee-based contract for doing project activities or CSR work. These are also chargeable under GST.

You will have to register for GST if you are giving fee-based services and your aggregate turnover (as defined under GST; see 'AccountAble 150', including interest income, school fees, patient fees, etc.) crosses Rs. 10/20 lakh per year\*.

**Tip:** Avoid charging fees from outsiders or from donor agencies. Also avoid making project recoveries at standard rates, if the aggregate turnover is likely to cross Rs. 10/20 lakh\*.

Instead, you can budget and charge actual expenses towards repairs and maintenance to projects. You can also discuss a standard overhead recovery (5-10%) to help meet such costs.

#### C5. Boarding & Lodging Charges

**Trap:** Boarding and lodging charges collected by an NGO are covered under GST. If the NGO is providing boarding and lodging against fixed amount of donation, GST will still be attracted.

**Tip:** If lodging charges (declared tariff) are below Rs. 1,000, then no GST is attracted. GST is also not attracted if the visitors are provided free food and lodging, but make their donations willingly.

#### C6. Selling Goods as part of Charitable Activities

**Trap:** Services provided as part of charitable activities (as defined under GST) are exempt from GST. However, this exemption does not cover sale of goods — even as part of charitable activities. Sale of goods will attract GST at applicable rates, if you cross the aggregate turnover limit (Rs. 10/20 lakh\*). This could expose the organisation to paying reverse charge on services or goods purchased

#### Mixing Business with Education

A school receives tuition fees and school bus fees of Rs. 50 lakh from its students annually. It also sells course books to them for Rs. 5 lakh annually. It does not need to register for GST because of these, as both are exempt. What if it starts selling shoes, uniforms, notebooks or stationery to the students? It would have to register for GST even if the turnover from these was a few thousands or lakhs.

What if the school rents out a room to a shopkeeper who sells these supplies on his/her own? As non-residential rent is taxable supply, the school would have to register for GST.

What if the school was to get a monthly donation of Rs. 5,000 from the shopkeeper instead of rent? The donation would be taxable supply. The school would have to register for GST.

from unregistered vendors.

**Tip:** See whether sale of goods can be done by a separate trust or for-profit entity which has GST registration.

#### C7. Selling Uniforms to Students

**Trap:** Education services provided to school students etc. are exempt from GST. However, this exemption does not cover sale of goods to them — even as an integral part of education. Sale of items such as uniforms will attract GST at applicable rates, if you cross the aggregate turnover limit (Rs. 10/20 lakh\*). This could expose the organisation to paying reverse charge on services or goods purchased from unregistered vendors.

**Tip:** See whether sale of uniforms, etc. can be handled by an approved vendor who would be responsible for GST.

#### C8. Grant Management Charges

**Trap:** Some NGOs help High Net Worth Individuals (HNI) or corporate CSR donors with managing their philanthropic activities for a small charge. These services may be provided against a straight fee. Or the donor may agree to bear some of the overheads of the NGO. In either case, the transaction would become taxable supply. Sometimes overseas donor agencies also pay their Indian associates to manage and monitor their grants in India.

**Tip:** Ensure the agreement with HNI or corporate donor is one of collaboration for charitable activities, rather than of

providing services.

Grant management and monitoring services provided to overseas donor agencies would mostly be treated as zero-rated supplies, if the overseas agency does not have an office in India, and the payment is received in foreign currency.

## C9. Yoga and Meditation Camps

**Trap:** Advancement of spirituality or yoga is exempt from GST if undertaken by a tax-exempt organisation (registered under sec. 12AA of Income Tax Act). Therefore, even residential meditation camps or yoga camps where the primary purpose is advancement of spirituality or yoga are exempt from GST. Sometimes the camp is organised by NGO X at the premises of NGO Y. If NGO Y charges money for the hosting, boarding, lodging, etc. GST may be attracted.

**Tip:** Check whether the host NGO's objects cover promotion of yoga or spirituality. In such a case, the camp can be organised jointly without attracting GST. GST may also not be attracted if room rent

charged by NGO Y is less than Rs. 1,000 per day.

If nothing works, try practising PayYourGST Asana - this Asana works wonders for your peace of mind!

\* Limit of aggregate turnover for supply of goods is being revised to Rs. 40 / 20 lakh in some states with effect from 1-Apr-2019. Limit of aggregate turnover for services or for mixed supply (goods and services) remains unchanged. NGOs supplying services (or goods and services) may also opt for composition scheme if their aggregate turnover is less than Rs. 50 lakh per year. In such cases, they have to pay GST @ 6% on taxable supplies, without availing Input Tax Credit. This option will be available w.e.f. 1-Apr-2019.

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**Interpretation of law:** Law discussed here is valid as of 31-Oct-2018. However, the interpretation is of general nature. Please consult your advisors before taking any important decision.

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