GST Sectoral Guide on Charitable Trusts and NPOs

The Institute of Chartered Accountants of India
(Set up by an Act of Parliament)
New Delhi

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First Edition	:	June, 2026
Committee/Department	:	GST & Indirect Taxes Committee
E-mail	:	gst@icai.in
Website	:	https://www.icai.org; https://idtc.icai.org/
Price	:	₹ 160 /-
ISBN	:	978-93-47892-26-4
Published by	:	The Publication Directorate on behalf of The Institute of Chartered Accountants of India ICAI Bhawan, Post Box No. 7100, Indraprastha Marg, New Delhi - 110 002 (India)
Printed by	:	Sahitya Bhawan Publications C-27, Site - C, UPSIDC, Sikandra, Agra - 282 007 July | 2026 | P4267 (New)

Foreword

When India ushered in the Goods and Services Tax regime on 1st July 2017, it was more than a tax reform—it was a constitutional covenant of cooperative federalism, bridging the Centre and States together under a unified single, destination-based indirect tax framework. As GST enters its tenth year on 1st July 2026, the journey from a fragmented, multi-layered tax structure to a unified national market stands as one of independent India's most consequential fiscal achievements. What began as a bold experiment in economic integration has steadily matured into a robust and technology-driven compliance ecosystem—fostering greater formalisation of the economy, strengthening revenue mobilisation, and enhancing the ease of doing business across the country.

In this evolving landscape, the Institute of Chartered Accountants of India (ICAI), through its GST & Indirect Taxes Committee, has consistently played a proactive role in knowledge dissemination and capacity building. As part of this commitment, the Committee has launched an **Industry-Specific GST Publication Series,** recognising that GST implications vary across sectors owing to their distinct business model and operational structures. The series aims to provide focused sector specific guidance on key GST issues, addressing the practical challenges and compliance requirements of different industries.

I am pleased to note that the Committee has released its first booklet under this series titled as ***"GST Sectoral Guide on Charitable Trusts and NPOs"***. A common misconception prevails that an entity holding registration under the Income Tax Act for charitable or religious purposes, stands automatically exempted from GST as well. In reality, GST exemption operates independently of income-tax registration and is determined purely on the basis of the nature of activity undertaken — a distinction that often leads to inadvertent non-compliance among trusts and non-profit organizations. This publication, alongwith this, discusses the applicable statutory provisions, exemptions, treatment of grants and donations, input tax credit implications, and relevant judicial decisions and advance rulings, offering readers practical clarity on this critical subject.

My sincere appreciation to CA. Umesh Sharma, Chairman, and CA. Rajendra Kumar P, Vice-Chairman, along with all members of the GST & Indirect

Taxes Committee of ICAI, for their initiative and dedication in developing this publication and for their continued efforts in providing effective guidance to members and stakeholders.

I am confident that this publication will serve as a valuable resource for chartered accountants, trustees, administrators, legal professionals, and all stakeholders associated with the non-profit sector facilitating a better understanding and application of GST provisions.

CA. Prasanna Kumar D
President, ICAI

Date: 23.06.2026
Place: New Delhi

Preface

Charitable Trusts and Non-Profit Organizations form the backbone of India's social infrastructure, channelling voluntary resources toward education, healthcare, poverty alleviation, rural development, and community welfare. Unlike commercial enterprises driven by profit, these entities operate with a public purpose — yet they are not entirely outside the ambit of GST. The interface between GST and the non-profit sector is complex: activities may be wholly exempt, partially taxable, or fall in interpretative grey areas depending on the nature of the supply, the source of funding, and the registration status of the entity. Issues relating to the taxability of grants and donations, eligibility for Input Tax Credit, registration obligations, and compliance requirements under the GST framework demand careful and structured examination by practitioners and administrators alike.

With this objective, we are pleased to present ***"Charitable Trusts & Non-Profit Organizations under GST"*** as part of the GST & Indirect Taxes Committee's Industry-Specific GST Publication Series. This publication is structured across four chapters: Chapter 1 provides an industry background covering the sector's characteristics and GST interface; Chapter 2 offers a detailed analysis of relevant statutory provisions, notifications, exemptions, and the applicable compliance framework; Chapter 3 examines key judicial decisions, advance rulings, and emerging litigation trends specific to the sector; and Chapter 4 identifies current challenges, interpretational issues, and reasoned recommendations for the way forward.

We express our sincere gratitude to CA. Prasanna Kumar D, President, ICAI, and CA. Mangesh Kinare, Vice-President, ICAI, for their valuable encouragement and support to the initiatives of the GST & Indirect Taxes Committee. Their guidance has been a source of inspiration in bringing out this publication. We place on record our appreciation for CA. Abhishek Ojha and CA. Keshav P. Bhutada for authoring this publication and for their dedicated contribution to the knowledge initiatives of ICAI. We are equally grateful to CA. S. Thirumalai and CA. Gaurab Garodia for their meticulous review of this publication and for enriching it with their deep knowledge and expertise on the subject of charitable trusts & non-profit organizations. We also acknowledge the sincere efforts of the CA. Jaya Kumari from the Secretariat of the GST & Indirect Taxes Committee for her painstaking efforts

in rendering essential technical and administrative support throughout the preparation of this publication.

While every effort has been made to ensure accuracy in line with the prevailing legal position, readers may note that divergent views may exist on certain issues. Feedback and suggestions on any inadvertent errors or omissions are welcome at gst@icai.in. Readers are also encouraged to visit https://idtc.icai.org for a wide range of technical and educational resources on GST.

CA. Umesh Sharma
Chairman
GST & Indirect Taxes Committee

CA. Rajendra Kumar P
Vice-Chairman
GST & Indirect Taxes Committee

Date: 23.06.2026
Place: New Delhi

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List of Abbreviations

Abbreviation	Full Form
AAR	Authority for Advance Ruling
AAAR	Appellate Authority for Advance Ruling
CBIC	Central Board of Indirect Taxes and Customs
CGST	Central Goods and Services Tax
CSR	Corporate Social Responsibility
FCRA	Foreign Contribution (Regulation) Act, 2010
GTA	Goods Transport Agency
GST	Goods and Services Tax
GSTIN	Goods and Services Tax Identification Number
GSTR	GST Return
ICAI	Institute of Chartered Accountants of India
IGST	Integrated Goods and Services Tax
ISD	Input Service Distributor
IT Act	Income Tax Act
ITC	Input Tax Credit
MCA	Ministry of Corporate Affairs
NPO	Not-for-Profit Organisation
OIDAR	Online Information and Database Access or Retrieval Services
POS	Place of Supply
RCM	Reverse Charge Mechanism
SGST	State Goods and Services Tax
TDS	Tax Deducted at Source
UTGST	Union Territory Goods and Services Tax
SOW	Statement of Work

Chapter 1

Background of the Charitable and Non-Profit Sector under GST

1.1 Historical Context and the Non-Profit Ecosystem in India

The Goods and Services Tax (GST) was introduced in India with effect from 1 July 2017 with the objective of creating a unified and comprehensive indirect tax framework by subsuming various Central and State taxes. GST marked a paradigm shift from the earlier fragmented taxation regime and introduced a destination-based tax applicable on the supply of goods and services across the country.

Since its introduction, the applicability of GST to Charitable Trusts and Not-for-Profit Organisations (NPOs) has remained an area of considerable discussion and interpretation. Unlike commercial enterprises, charitable institutions are established primarily for philanthropic, religious, educational, medical, social welfare, environmental, cultural, or public utility purposes rather than for profit generation. These organisations play a pivotal role in nation-building and social development by supplementing Governmental efforts in areas such as healthcare, education, rural development, poverty alleviation, environmental conservation, women empowerment, disaster relief, preservation of heritage and advancement of religion and spirituality.

India possesses one of the largest non-profit ecosystems in the world, comprising of few millions of registered charitable trusts, societies and section 8 companies. The roots of charitable activity in India can be traced to the age-old concepts of *Dharma*, community welfare and public service. In the modern era, however, charitable institutions function within a complex legal and regulatory framework governed by multiple statutes including the Indian Trusts Act, State Public Trust Acts, the Societies Registration Act, 1860, the Companies Act, 2013, the Foreign Contribution (Regulation) Act, 2010, the Income-tax Act, 1961 and various State laws.

1.2 Legal Structures of Non-Profit Entities

The non-profit sector in India operates under three primary legal structures, each with distinct governance requirements, regulatory oversight and implications for GST registration:

Legal Form	Governing Law	Registration Authority	Governing Document
Public Charitable Trust	Indian Trusts Act 1882 / State Trust Acts (e.g. Bombay Public Trusts Act 1950)	Sub-Registrar / Charity Commissioner	Trust Deed
Society	Societies Registration Act 1860 / State Equivalents	Registrar of Societies	Memorandum of Association & Rules
Section 8 Company	Companies Act, 2013	Registrar of Companies (MCA)	Memorandum and Articles of Association

Most charitable entities also obtained registration under Section 12AA/12AB of the erstwhile Income-tax Act, 1961, (now Section 332 of the Income-tax Act 2025), to avail income-tax exemptions, and separately obtain approval under Section 80G of the erstwhile Income-tax Act 1961, (now Section 354 of the Income-tax Act 2025), to enable donors to claim deductions under Section 133 of the Income-tax Act 2025. However, such registrations do not automatically confer any exemption from GST.

1.3 GST vs. Income Tax: Divergent Approaches to Charitable Entities

A fundamental distinction between the Income-tax Act and the GST law lies in their respective approaches towards charitable entities. The Income-tax Act grants tax exemptions based on the charitable character and objectives of the institution. GST, on the other hand, is transaction-oriented and consumption-centric. The GST law does not distinguish between profit-making and non-profit-making organisations. Instead, taxability is determined primarily on the question whether an activity constitutes a "supply" within the meaning of section 7 of the Central Goods and Services Tax Act, 2017 and whether such supply is specifically exempted under the Act or the notifications issued thereunder.

Parameter	Income Tax Act	GST Law
Basis of Exemption	Entity-based — charitable status of organisation determines exemption	Transaction-based — exemption depends on the nature of specific supply
Definition of Charity	'Charitable Purpose' — broad: relief of poor, education, yoga, medical relief, environment, monuments, general public utility [Sec 2(15)]	'Charitable Activities' — narrow & exhaustive: public health (specific), religion/yoga, education (specific), environment preservation [Cl. 2(r), Notif. 12/2017-Central Tax(Rate)]
Scope of Exemption	Blanket exemption on all income applied for charitable purposes (subject to 85% application rule under Section 11 of the Income Tax Act, 1961)	Activity-specific exemptions; taxable and exempt activities may co-exist in the same entity While Entry 1 of Notification No. 12/2017-Central Tax (Rate)/ 9/2017-Integrated Tax (Rate) explicitly exempts services provided by an entity registered under Section 12AA/12AB of the Income Tax Act, the exemption is strictly conditional. It does not apply to the entity as a whole; it applies only if the specific outward

		supply qualifies as a "charitable activities " as defined under Clause 2(r) of the same notification.
Registration Link	Sec 12AA / 12AB (Income-Tax Act, 1961) or Sec 332 (Income-Tax Act, 2025)	GST registration under Sec 22/24 of CGST Act — separate threshold-based requirement

Key Takeaway: Charitable status by itself does not provide a blanket exemption from GST. A charitable institution may simultaneously undertake activities that are exempt from GST, taxable under GST, or entirely outside the scope of GST. For instance, donations received without any corresponding obligation generally remain outside the ambit of supply, whereas commercial leasing of property, sponsorship arrangements, or training programmes conducted for consideration may attract GST depending upon the nature and circumstances of the transaction.

1.4 Activity-wise Approach under GST: The Governing Principle

The complexity of GST compliance for charitable organisations is further amplified by the diverse sources of funding available to them. These may include:

- Voluntary donations and corpus contributions
- Government grants (both conditional and unconditional)
- Corporate social responsibility (CSR) funds under section 135, Companies Act 2013
- Membership subscriptions
- Hostel and residential accommodation receipts
- Educational or training fees
- Rental income from properties
- Sale of publications and merchandise
- Foreign contributions regulated under FCRA 2010

- Healthcare service receipts

Each category of receipt requires an independent GST analysis to determine whether it constitutes 'consideration' for a 'supply', qualifies for an exemption, or falls entirely outside the GST framework.

The provisions governing charitable activities under GST have substantially evolved from the exemptions available under the erstwhile service tax regime under the Finance Act, 1994. However, GST has introduced a more structured and codified framework by specifically defining the expression "charitable activities" and prescribing precise exemptions through Notification No. 12/2017-Central Tax (Rate) dated 28 June 2017 and subsequent amendments. As a result, *several activities that may qualify as charitable purposes under the Income-tax Act may not necessarily enjoy exemption under GST, thereby necessitating a separate examination under GST law.*

Accordingly, an understanding of GST implications for charitable trusts and NPOs requires an *activity-wise approach* rather than an *entity-wise approach.* The determination of taxability depends upon the exact nature of the activity and transactions undertaken, the manner in which consideration is received, the statutory exemptions available and the judicial interpretations that have evolved over time. This book seeks to analyse these issues comprehensively and provide practical guidance to charitable organisations, trustees, finance professionals, tax practitioners and regulators in navigating the GST framework applicable to the non-profit sector.

Chapter 2

Analysis of Statutory Provisions Relevant to Charitable Trusts & NPOs

The following provisions of the CGST/SGST Act, 2017 are directly or indirectly applicable to the taxability and compliance obligations of charitable trusts and not-for-profit organisations. An understanding of these provisions is essential before determining the GST character of any transaction undertaken by such entities.

2.1 Section 2 — Key Definitions

The following definitions are important with respect to charitable organizations/NPO's falling under the ambit of GST.

Sl No	Section	Provisions	Relevance to Charitable Trusts
1.	Section 2(17): Business	"business" includes - (a) any trade, commerce, manufacture, profession, vocation, adventure, wager or any other similar activity, whether or not it is for a pecuniary benefit; (b) any activity or transaction in connection with or incidental or ancillary to sub-clause (a); (c) any activity or transaction in the nature of sub-clause (a), whether or not	Business includes: a) Trade b) Commerce c) Manufacture d) Profession e) Vocation f) Adventure g) Wager h) Any other similar activity, whether or not for pecuniary benefit. Charitable Organization must check whether the activities undertaken by them fall under this definition.

		there is volume, frequency, continuity or regularity of such transaction; (d) supply or acquisition of goods including capital goods and services in connection with commencement or closure of business; (e) provision by a club, association, society, or any such body (for a subscription or any other consideration) of the facilities or benefits to its members; (f) admission, for a consideration, of persons to any premises; (g) services supplied by a person as the holder of an office which has been accepted by him in the course or furtherance of his trade, profession or vocation; (h) activities of a race club including by way of totalisator or a license to book maker	

		or activities of a licensed book maker in such club; and (i) any activity or transaction undertaken by the Central Government, a State Government or any local authority in which they are engaged as public authorities;	
2.	Section 2(31): 'Consideration'	"consideration" in relation to the supply of goods or services or both includes- (a) any payment made or to be made, whether in money or otherwise, in respect of, in response to, or for the inducement of, the supply of goods or services or both, whether by the recipient or by any other person but shall not include any subsidy given by the Central Government or a State Government; (b) the monetary value of any act or forbearance, in respect of, in	Consideration means any payment in money or otherwise in return of supply. Donations to charitable organizations without *quid pro quo* do not constitute consideration and hence do not attract GST. Deposits in respect of supply of goods or services or both shall not attract GST unless such supplier applies the deposit as consideration for the said supply.

		response to, or for the inducement of, the supply of goods or services or both, whether by the recipient or by any other person but shall not include any subsidy given by the Central Government or a State Government: PROVIDED that a deposit given in respect of the supply of goods or services or both shall not be considered as payment made for such supply unless the supplier applies such deposit as consideration for the said supply	
3.	Section 2(84): 'Person'	"person" includes- (a) an individual; (b) a Hindu undivided family; (c) a company; (d) a firm; (e) a Limited liability partnership; (f) an association of persons or a body of individuals, whether incorporated or not, in	'Person' includes "trust". Therefore, all trusts, whether public or private, registered or unregistered, are persons in the eyes of GST law. Other forms of NPO includes society, association of persons or a body of individuals, section 8 company and Artificial juridical person.

		India or outside India; (g) any corporation established by or under any Central Act, State Act or Provincial Act or a Government company as defined in clause (45) of section 2 of the Companies Act, 2013 (18 of 2013); (h) any body corporate incorporated by or under the laws of a country outside India; (i) a co-operative society registered under any law relating to co-operative societies; (j) a local authority; (k) Central Government or a State Government; (l) society as defined under the Societies Registration Act, 1860 (21 of 1860); (m) trust; and (n) every artificial juridical person, not falling within any of the above;	Therefore, all such forms of NPOs fall under the definition of 'person' under the GST law.
4.	Clause 2(r) of	"Charitable activities"	The definition of

	Notification No. 12/2017-Central Tax (Rate) dated 28.06.2017-'Charitable Activities'	means activities relating to – (i) public health by way of - (A) care or counselling of (I) terminally ill persons or persons with severe physical or mental disability; (II) persons afflicted with HIV or AIDS; (III) persons addicted to a dependence-forming substance such as narcotics drugs or alcohol; or (B) public awareness of preventive health, family planning or prevention of HIV infection; (ii) advancement of religion, spirituality or yoga; (iii) advancement of educational programmes or skill development relating to,- (A) abandoned, orphaned or homeless children; (B) physically or mentally abused and traumatized persons; (C) prisoners; or	'charitable activities' in GST does not offer wider scope as compared to the one in the Income Tax Act. The list of activities as defined as "charitable activities" are exhaustive and not inclusive, unlike in the Income Tax Act where the concept of charity has been broadly interpreted under the term "charitable purpose" thereby encompassing a much wider spectrum of activities.

		(D) persons over the age of 65 years residing in a rural area; (iv) preservation of environment including watershed, forests and wildlife;	

Charitable trusts and other forms of NPO's are specifically included in the definition of the term "person", thus bringing them under the ambit of GST. If the activities of charitable trusts/NPOs satisfy the conditions as laid down in the definitions of "business" "consideration" and "charitable activities", GST is applicable on the transactions undertaken by the charitable trusts/NPO's without an iota of doubt, unless they are specifically exempted as per section 11(1) or section 11(2) of the CGST/SGST Act 2017.

Aggregate Turnover — Section 2(6): Computation for Trusts

'Aggregate turnover' under section 2(6) of the CGST Act includes the aggregate value of all taxable supplies, exempt supplies, exports, and inter-state supplies — but excludes taxes and the value of inward supplies on which tax is paid on reverse charge basis.

Critically, even exempt supplies count towards the threshold computation, though they do not themselves attract tax. Donations and unconditional grants are not 'supplies' and are therefore excluded entirely from the computation of turnover.

Example: A trust receives Rs. 8 lakhs from paid workshops (taxable), Rs. 15 lakhs from donations (not a supply), and Rs. 8 lakhs from hall rentals (taxable). Its aggregate turnover is Rs. 16 lakhs — below the threshold and hence no registration needed. If it additionally receives Rs. 6 lakhs from charitable healthcare services (exempt supply), the aggregate turnover rises to Rs. 22 lakhs and registration become mandatory.

GST registration thresholds depend on the nature of supply and location. Suppliers of goods must register beyond Rs. 40 lakhs; suppliers of services, or a mix of goods and services, must register beyond Rs. 20 lakhs. In special category States — Manipur, Mizoram, Nagaland, and Tripura — this services threshold drops to Rs. 10 lakhs. Since the trust supplies only services, Rs. 20 lakhs (or Rs. 10 lakhs in those four States) is the relevant threshold, and it is against this figure that the aggregate turnover of Rs. 22 lakhs trigger mandatory registration.

2.1.1. Charitable Activities under GST vis a vis Income Tax Act.

Charitable organizations are involved in charity by way of activities that are beneficial to the society at large, thereby always under the impression that since the activities are philanthropic in nature and are not undertaken to earn profit, they should not fall under the ambit of 'tax'. In the Income Tax Act 1961, there is a blanket exemption provided to the charitable organizations if they obtain registration under Section 12AA/12AB of the Act. For the purposes of obtaining registration under section 12AA/12AB of the Income tax Act, the organization should work for "charitable purpose" which is defined in section 2(15) of the Income Tax Act 1961 as under :

"Charitable purpose" includes relief of the poor, education, yoga, medical relief, preservation of environment (including watersheds, forests and wildlife) and preservation of monuments or places or objects of artistic or historic interest, and the advancement of any other object of general public utility.

Entry 1 of Notification No 12/2017-Central Tax exempts services by an organization registered under section 12AA/12AB of the Income Tax Act 1961 by way of charitable activities. Clause 2(r) of the said notification defines "charitable activities" as activities relating to-

(i) *public health by way of ,-*

   (A) care or counseling of

      (I) terminally ill persons or persons with severe physical or mental disability;

      (II) persons afflicted with HIV or AIDS;

      (III) persons addicted to a dependence-forming substance such as narcotics drugs or alcohol; or

   (B) public awareness of preventive health, family planning or prevention of HIV infection;

(ii) advancement of religion, spirituality or yoga;

(iii) advancement of educational programmes or skill development relating to,-

(A) abandoned, orphaned or homeless children;

(B) physically or mentally abused and traumatized persons;

(C) prisoners; or

(D) persons over the age of 65 years residing in a rural area;

(iv) preservation of environment including watershed, forests and wildlife;

On a plain comparison of the above two definitions, it can be concluded that the scope of activities undertaken by charitable organizations enjoying exemption under the said notification is narrow and more specific. The reason being, in income tax, the activities undertaken by charitable organizations are not defined, rather the purpose for which they exist is defined, according to which a blanket exemption is enjoyed by the charitable organization. Further, in the income tax law, the application of income towards charitable purposes is monitored, the threshold being above 85 per cent so as to ensure that the receipts of charitable organization enjoying exemption are actually utilized towards charitable purposes. In GST, the taxable event being “Supply of goods and services or both”, it is levied at multi stage of supply until consumption by the end consumer, thereby making it a consumption-based tax law, the burden being borne by the end consumer to which the goods or services or both are supplied to, the collection and remittance to the Government being the responsibility of the charitable organization supplying the goods or services or both. Sparing a few activities from the levy of tax by way of exemption under section 11 and by way of Notification No 12/2017, which is largely beneficial to the society, the Government, on the recommendation of the GST Council, may add activities of charitable nature by way of amendment to the said notification in future.

Key Takeaway- *All Charitable Organizations registered under section* 12AA/12AB *of the Income Tax Act,1961 are exempt from paying income taxes (subject to conditions), whereas charitable organizations involved in activities specified in clause 2(r) of Notification No 12/2017-Central Tax & Notification No 9/2017-Integrated Tax only are exempt from the levy of GST.*

2.2. Section 7- Scope of "Supply"

Section 7 of the CGST Act defines the scope of 'Supply'. Understanding the scope of supply is central to determining whether the activities undertaken by the charitable organizations would be taxable or exempt under GST. The same is reproduced hereunder:

"Section 7. Scope of Supply-

(1) for the purposes of this Act, the expression "supply" includes:

(a) all forms of supply of goods or services or both such as sale, transfer, barter, exchange, license, rental, lease or disposal made or agreed to be made for a consideration by a person in the course or furtherance of business;

(aa) the activities or transactions, by a person, other than an individual, to its members or constituents or *vice-versa*, for cash, deferred payment or other valuable consideration.

Explanation .-For the purposes of this clause, it is hereby clarified that, notwithstanding anything contained in any other law for the time being in force or any judgment, decree or order of any court, tribunal or authority, the person and its members or constituents shall be deemed to be two separate persons and the supply of activities or transactions inter se shall be deemed to take place from one such person to another;

(b) import of services for a consideration whether or not in the course or furtherance of business; [and]

(c) the activities specified in Schedule I, made or agreed to be made without a consideration;

(1A) where certain activities or transactions constitute a supply in accordance with the provisions of sub-section (1), they shall be treated either as supply of goods or supply of services as referred to in Schedule II.

(2) Notwithstanding anything contained in sub-section (1),-

(a) activities or transactions specified in Schedule III; or

(b) such activities or transactions undertaken by the Central Government, a State Government or any local authority in which they are engaged as public authorities, as may be notified by the Government on the recommendations of the Council,

shall be treated neither as a supply of goods nor a supply of services.

(3) Subject to the provisions of sub-sections (1), (1A) and (2)], the Government may, on the recommendations of the Council, specify, by notification, the transactions that are to be treated as –

(a) a supply of goods and not as a supply of services; or

(b) a supply of services and not as a supply of goods."

Quick Summary for Trusts

Section 7 is the gatekeeper of GST. An activity undertaken by a charitable trust must fit into one of these buckets to be taxable. If it falls outside this section, it is completely out of the GST net.

1. The Two-Pronged Test: Consideration + Business [Section 7(1)(a)]

To attract GST, a routine activity must involve *both* - consideration and transaction ought to be done in the course or furtherance of business..

- *Free Distributions:* Giving away food, medical aid, or books for free has no "consideration" - No GST.
- *Subsidized/Nominal Fees:* Charging even a small fee to recover costs (e.g., nominal dispensary fees) is treated as "consideration" in a "business" (since profit motive is legally irrelevant) - It is a supply and must rely on specific exemptions (Notification 12/2017) to avoid tax.

2. End of Mutuality: Transactions with Members [Section 7(1)(aa)]

- *The Rule:* A trust/society and its members are legally treated as two separate entities.
- *Implication:* Any facility, publication, or service provided to members against a subscription fee or charge is a deemed supply -Taxable.

3. The Import Trap [Section 7(1)(b)]

- *The Rule:* Importing services for consideration is a supply, even if it has nothing to do with business.

- *Implication:* If a trust pays money to a foreign architect to design a charitable hospital or school, the trust must pay GST under the reverse charge mechanism (RCM).

4. Freebies that Count as Supply [Section 7(1)(c) & Schedule I]

Normally, no consideration means no GST. However, Schedule I creates a strict exception:

- *Related Parties:* Any transfer of goods/services or assets between "related persons" or "distinct persons" (with separate GSTINs) without consideration is a *deemed supply and taxable based on open market value.*

5. Absolute Exclusions [Section 7(2) & Schedule III]

Activities listed in Schedule III are completely immune to GST.

- *Asset Liquidation:* The sale of land or a fully completed building by a trust to build its permanent corpus fund is strictly neither a supply of goods nor services and hence permanently out of GST.

Schedule I: Deemed Supply Without Consideration

Para 2 of Schedule I deems the permanent transfer of business assets on which ITC has been availed as a supply even without consideration. Charitable trusts that have a taxable business wing and donate assets out of that wing must watch for this provision to avoid inadvertent tax liability.

What Lies Outside 'Supply'?

Two provisions carve out activities from the ambit of supply:

- ***Schedule III [Section 7(2)]:*** Lists activities treated as neither supply of goods nor services. Relevant entries include services by an employee to an employer in the course of employment. This is useful where the trust staff are engaged in mixed activities.

- ***Unconditional Donations and Grants:*** Transfers without any expectation of specific return service are not made for 'consideration' and hence fall outside the supply definition entirely. However, once a donor receives a specific benefit (e.g., naming rights, event access, preferential treatment), the 'voluntary' character is compromised — and the receipt may be re-characterised as ‘consideration’ for a supply.

Key Takeaways for Charitable Organisations from the definition

1. All forms supply of goods and services undertaken by the charitable organisation for consideration in the course or furtherance of business fall under the ambit of GST. Since the definition of "Business" under section 2(17) of the CGST Act has specifically included the activity *"whether or not for pecuniary benefit"*, it can be inferred that activities undertaken both for profit and not for profit would attract GST.

2. Section 7(1)(aa) was inserted by Finance Act, 2021 which specifically brought supply by associations (including charitable organisations and all forms of NPOs) to their members for consideration within the GST net.

3. Section 7(1)(c)- Charitable organisations and NPOs, even activities undertaken without consideration may qualify as a supply if they fall within the scope of Schedule I of the GST law.

4. Section 7(2)- The activities listed in Schedule III shall be treated neither as supply of goods nor supply of services. Charitable organisations and NPOs involved in such activities as specified in Schedule III would not fall under the ambit of GST.

   Example: Services of funeral, burial, crematorium or mortuary including transportation of the deceased provided by charitable organisations do not fall under the ambit of GST. (Entry 4 of Schedule III).

2.3 Levy and Collection: Reverse Charge Mechanism

2.3.1 Overview

Section 9(3) of CGST/SGST Act, 2017, specifies the categories of supply of goods and services or both, the tax on which shall be borne by the recipient on reverse charge basis. Charitable organisations, being recipient-taxpayers for various supplies are subjected to levy of GST under RCM on supplies procured by them. Some of the common forms of supplies obtained by charitable organisations that fall under the RCM mechanism are given hereunder for better understanding.

Service Category	Supplier	RCM Rates	Notification Reference
Goods transport agency (GTA) Services	Goods transport agency	**5%**	Entry 1, Notification 13/2017-CT(Rate)
Legal services by Advocates	Individual Advocate / Firm of Advocates	**18%**	Entry 2, Notification 13/2017-CT(Rate)
Renting of immovable property by Govt / Local Authority	Central/State Govt or Local Authority	**18%**	Entry 5A, Notification 13/2017-CT(Rate)
Renting of residential dwelling (w.e.f. 18.07.2022)	Any person	**18%**	Entry 5AA, Notification 13/2017-CT(Rate)
Renting of any Immovable Property other than residential (w.e.f. 10.10.2024)	Any unregistered person	**18%**	Entry 5AB, Notification 13/2017-CT(Rate)
Security guard services (by non-body corporate)	Person other than body corporate	**18%**	Entry 14, Notification 13/2017-CT(Rate)
Sponsorship services	Any person other than a body corporate	**18%**	Entry 4, Notif. 13/2017-CT(Rate)

Key Takeaways for Charitable Trust.

- Import of services by charitable trust for the purpose of providing charitable activities are *exempt* from GST vide Entry 10 of Notification No 09/2017-Integrated Tax (Rate) dated 28.06.2017. However, this exemption is not applicable to online information and database access or retrieval (OIDAR) services received by charitable trusts.

- Even if a charitable trust is entirely engaged in exempt activities and has no taxable turnover — and is therefore not required to register under GST — it may still be obligated to register and pay RCM if it avails specified services from unregistered suppliers as per section 24 of the Act. Failure to register and remit RCM attracts tax, interest @ 18 per cent p.a., and penalties — often discovered only during a scrutiny or departmental audit.
- RCM liability must be paid in cash only and then ITC on the same can be claimed during the same return period if eligible.

2.3.2 OIDAR and its applicability to Charitable Trusts and NPOs.

2.3.2.1 Meaning and Scope of OIDAR Services

Section 2(17) of the IGST Act defines "Online information and database access or retrieval services" (OIDAR) as services delivered through information technology over the internet or an electronic network, where the nature of the service makes it impossible to supply without the use of technology. Such services are generally automated and provided online with minimal human intervention.

The definition specifically includes:

- online advertising
- cloud services
- supply of e-books, software, music, videos, and other digital content
- online databases and information retrieval systems
- Online supply of digital content
- digital data storage and
- online gaming other than online money gaming as defined in Section 2 (80B) of the CGST Act, 2017

Some common examples of OIDAR services are tabulated hereunder:

Activity	Whether OIDAR?	Illustration
Subscription to Zoom, Google Workspace, Microsoft 365	Yes	A charitable trust pays monthly subscription charges for Zoom webinar facilities.
Sale of downloadable e-books or recorded lectures	Yes	A spiritual trust sells recorded meditation lectures through its website.
Online certification course with automated access	Yes	An NGO provides paid online child-care certification modules accessible through login credentials.
Cloud data storage services	Yes	A trust stores donor and beneficiary data on Amazon Web Services or Google Cloud servers.
Website hosting and domain services	Yes	A charitable institution purchases website hosting from a foreign provider.
Physical classroom training with live faculty interaction	No	A trust conducts offline vocational classes in its training centre.
Pure donation collection through website	No	Donations collected online without supply of digital content do not become OIDAR.

2.3.2.2 GST Principle Applicable to OIDAR

OIDAR services are taxed based on the destination principle, meaning GST is levied where the service is consumed. Accordingly, OIDAR services supplied and consumed in India are liable to GST irrespective of whether the supplier is located in India or outside India.

The GST liability depends upon:

- location of supplier
- location of recipient and

- whether the recipient is registered under GST.

2.3.2.3 Meaning of Non-Taxable Online Recipient (NTOR)

Section 2(16) of the IGST Act defines a “Non-taxable online recipient” (NTOR) as an unregistered person receiving OIDAR services in India. This also includes persons registered only for TDS purposes under section 24 of the CGST Act.

Illustration

- An unregistered charitable trust purchases Canva Pro subscription from a foreign company → The trust qualifies as NTOR.
- A GST-registered NGO purchases foreign cloud hosting services → The NGO is not an NTOR because it holds GST registration.

GST Liability on OIDAR Transactions

For ease of reference, the taxability of OIDAR can be summarised by way of the following table:

Location of Supplier of OIDAR Services	Location of recipient of OIDAR services	GST Liability
India	India	GST under forward charge
Outside India	India (NTOR)	GST payable by foreign supplier
Outside India	India (GST Registered)	GST payable by recipient under reverse charge
Outside India	Outside India	No GST

Illustration 1 – GST under Reverse Charge

A GST-registered charitable trust subscribes to foreign accounting software for ₹2,00,000 annually. Since the supplier is located outside India and the trust is GST-registered, the trust must pay IGST under reverse charge mechanism (RCM).

Illustration 2 – GST payable by Foreign Supplier

An unregistered spiritual trust purchases webinar software from a foreign service provider. Since the trust qualifies as NTOR, the foreign supplier is liable to obtain GST registration and discharge IGST.

2.3.2.4 Statutory Compliance for Foreign Suppliers to NTOR

When a foreign service provider supplies OIDAR services to an NTOR in India, obtaining GST registration is mandatory, irrespective of the monetary turnover.

- ***Registration Track:*** Registration must be secured via the Simplified Registration Scheme by filing *FORM GST REG-10.*
- ***Intermediaries:*** If the foreign supplier acts through an electronic intermediary, the intermediary is deemed to be the service provider and must discharge the IGST.
- ***Representatives:*** If the foreign supplier has a physical representative or agent in India, that representative is legally liable to handle compliance. If no presence exists, they must appoint a person in India for the sole purpose of paying IGST.
- ***Input Tax Credit Block*:** A foreign OIDAR service provider registered under this specialized scheme *is not eligible to claim any input tax credit (ITC)* on domestic inward supplies.

2.3.2.5 OIDAR Implications for Charitable Trusts and NGOs

1. Charitable Trust as Supplier of OIDAR Services

With increasing digitalisation, many charitable trusts and non-profit organisations provide services through websites, mobile applications, online portals and digital platforms. Where such services are supplied electronically and are substantially dependent upon information technology, they may fall within the scope of OIDAR services under GST.

Activities such as providing paid access to e-books, recorded lectures, digital libraries, subscription-based spiritual or educational content, online certification programmes, webinars, downloadable study materials, cloud-based resources, or research databases may qualify as OIDAR services, particularly where the service cannot be effectively supplied without the internet or electronic networks.

Illustration:

A spiritual trust providing paid access to recorded meditation sessions through a mobile application, or an educational NGO offering subscription-based online certification courses, may be regarded as supplying OIDAR services and accordingly become liable to GST, subject to applicable exemptions.

Therefore, charitable institutions must carefully examine whether their online activities qualify as exempt charitable or educational services, or constitute taxable digital supplies under OIDAR provisions.

Examples Relevant to Charitable Trusts

Activity by Trust	GST Position
Paid access to recorded spiritual discourses	May qualify as taxable OIDAR
Subscription-based digital meditation courses	May qualify as taxable OIDAR
Downloadable e-books sold online	Taxable digital supply
Free YouTube spiritual lectures	No consideration; generally, no GST
Free online counselling sessions	Generally outside GST if no consideration
Paid online skill development certification course	Taxability to be examined based on educational exemption

2. Charitable Trust as Recipient of OIDAR Services

OIDAR provisions are equally relevant where charitable trusts or NPOs procure digital services from foreign service providers. Common examples include:

- Foreign software subscriptions
- Zoom or webinar platforms
- Cloud storage services
- Website hosting
- CRM and donor management software

- Online research databases
- Digital advertising services
- E-learning or design platforms.

The GST liability in such cases depends upon the GST registration status of the charitable trust.

- If the trust is registered under GST, import of such OIDAR services generally attracts IGST under the reverse charge mechanism (RCM), and the trust becomes liable to discharge the tax.
- If the trust is unregistered, it may qualify as a non-taxable online recipient (NTOR), in which case the foreign OIDAR service provider is ordinarily liable to pay IGST under forward charge.

Illustration:

If a GST-registered NGO subscribes to foreign cloud software or webinar services, it must pay IGST under RCM. However, if an unregistered charitable trust purchases the same service, the foreign supplier would generally be responsible for GST compliance in India.

Accordingly, charitable trusts and NPOs must carefully evaluate their GST registration status, the nature of digital services supplied or received and the applicability of forward charge or reverse charge provisions under the OIDAR framework.

2.4 Section 11 — Power to Grant Exemptions

Section 11(1) of the CGST/SGST Act empowers the Central Government (on the recommendations of the GST Council) to exempt supplies of goods and services, either absolutely or subject to conditions, from the whole or part of the tax leviable thereon. All exemption notifications for charitable trusts, issued under this provision are listed below:

Sl No	Activity/Supply	Exemption Entry	Conditions
1.	Services by an entity registered u/s 12AA or 12AB for charitable activities	Entry 1, Notification 12/2017	Entity must be registered under section 12AA/12AB; activities undertaken by such entity must be charitable

			activities as defined in clause 2(r) of Notification No 12/2017-Central Tax.
2.	Services by an old age home run by Central Government, State Government or an entity registered under section 12AA or 12AB of the IT Act 1961 to its residents (aged 60 years or more).	Entry 9D, Notification 12/2017	Consideration charged from members should be upto twenty-five thousand rupees per month per member, provided that the consideration charged is inclusive of charges for boarding, lodging and maintenance.
3.	Healthcare at clinical establishment	Entry 74, Notification 12/2017	Authorised medical professionals/paramedics; clinical establishment
4.	Educational services (school, college, educational institution)	Entry 66, Notification 12/2017	Institution as defined under Clause 2(y) of Notification No 12/2017-Central Tax
5.	Affiliation services provided by Central or State Educational Board or Council to a school established, owned or controlled by Central Government, State Government, Union Territory, local authority, Governmental authority or Government entity.	Entry 66A, Notification 12/2017	Services provided by Central or State Educational Board or Council (like CBSE) to school owned by Government (Example. Kendra Vidyalays) is exempt.
6.	Public library lending books, publications	Entry 50, Notification 12/2017	Applicable to all including trusts; private library not exempt.
7.	Religious pilgrimage by Haj Committee/KMVN	Entry 60, Notification	Only Kumaon Mandal Vikas Nigam/ Haj

		12/2017	Committee/ State Haj Committee
8.	Supply of accommodation services	Entry 12A, Notification 12/2017	Value of supply should be less than or equal to twenty thousand rupees per person per month provided the accommodation services is supplied for a minimum continuous period of ninety days.
9.	Religious ceremony, religious service	Entry 13, Notification 12/2017	Services by way of conduct of religious ceremonies
10.	Renting of religious place to public (below threshold)	Entry 13, Notification 12/2017	Rooms < Rs. 1000 per day; Kalyan Mandapam < Rs. 10,000 per day; Shops < Rs. 10,000 per month.
11.	Import of services from outside India for charitable purpose	Entry 10, Notification 9/2017	Trust registered under section 12AA/ 12AB for charitable purposes; excludes OIDAR.
12.	Yoga/religion/spirituality camps (including boarding/lodging)	Entry 1, Notification 12/2017 + Circular 66/40/2018	Primary purpose must be advancement of religion/spirituality/yoga
13.	Services by a veterinary clinic in relation to health care of animals or birds	Entry 46, Notification 12/2017	Services provided by a charitable trust running veterinary clinic in relation to health care of animals or birds are exempt.
14.	Services by way of training or coaching in recreational activities relating to sports.	Entry 80, Notification 12/2017	Training or coaching in recreational activities relating to sports provided by charitable trust.

15.	Donations/gifts to trusts (no quid pro quo)	Not a supply under section 7	Must be philanthropic in nature, no obligation on trust to provide service in return
16.	Donor nameplate/ display of gratitude	Circular no 116/35/2019-GST	Must be expression of gratitude, not business promotion of donor.

Key Takeaway- A charitable trust registered under section 12AA/ 12AB of Income Tax Act is generally covered under Entry 1 & Entry 80 as well as other relevant Entries of Notification No 12/2017-Central Tax & Notification 9/2017-Integrated Tax depending upon the nature of activities undertaken by it. However, other forms of NPOs are not covered under Entry 1 & Entry 80; therefore a careful comparison of activities undertaken by them with entries specified in the said notifications is essential to determine the applicability of exemption to such NPOs.

An entry-by-entry analysis of the exemptions are provided in the ensuing paragraphs.

2.4.1 Entry 1- Services by an entity registered u/s 12AA/12AB for charitable activities.

Entry 1 of Notification No. 12/2017-Central Tax (Rate) grants GST exemption to services provided by an entity registered under section 12AA/12AB of the Income Tax Act, 1961, subject to fulfilment of the following two essential conditions:

1. The entity must hold valid registration under section 12AA or section 12AB of the Income Tax Act, 1961.
2. The activities undertaken must qualify as "charitable activities" as specifically defined under clause 2(r) of the said notification.

It is important to note that the GST definition of "charitable activities" is significantly narrower than the ordinary or general understanding of charity. The exemption is restricted only to specified activities relating to:

- public health
- advancement of religion, spirituality, or yoga

- educational or skill development programmes for specified vulnerable groups
- preservation of environment, including forests, wildlife, and watershed.

Therefore merely being a charitable trust or NGO does not automatically entitle an entity to GST exemption unless the activities specifically fall within the notified definition.

Illustration 1

A trust registered under section 12AB undertakes large-scale tree plantation and environmental conservation programmes. Since the trust satisfies both conditions — valid section 12AB registration and engagement in preservation of environment — the services would qualify for exemption under Entry 1.

Illustration 2

A charitable trust operating a *gaushala* may claim exemption under Entry 1 to the extent its activities relate to preservation of environment, animal welfare, and protection of cattle. However, commercial activities such as sale of milk, ghee, panchgavya products, cow dung, or allied products require independent GST examination and may attract tax at applicable rates depending upon the nature of supply.

2.4.2 Entry 9D – Services by Old Age Homes

Entry 9D of Notification No. 12/2017-Central Tax (Rate) grants GST exemption to services provided by an old age home operated by the Central Government, State Government, or an entity registered under section 12AA/12AB of the Income Tax Act, 1961.

The exemption applies only where the services are provided to residents aged 60 years or above and the consideration charged does not exceed ₹25,000 per month per person, inclusive of boarding, lodging and maintenance.

This entry is intended to provide relief to charitable and welfare institutions engaged in elderly care and residential support services. However, the exemption is conditional and linked directly to the monetary threshold prescribed under the notification.

Illustration:

- A section 12AB registered trust operating an old age home charges ₹22,000 per month per resident towards accommodation, food, and basic medical assistance. Since the charges are within the prescribed limit, the services would qualify for GST exemption under Entry 9D.
- Conversely, if the same institution charges ₹35,000 per month per resident, the exemption under this entry may not be available and GST implications would need to be examined based on the nature of services supplied.

2.4.3 Entry 74 - Healthcare Services by Clinical Establishment/ Ambulance Services.

Entry 74 of Notification No. 12/2017-Central Tax (Rate) exempts healthcare services provided by a clinical establishment, authorised medical practitioner, or paramedics. The exemption is activity-based and applies irrespective of whether the institution is operated by a charitable trust, private entity, or Government body.

Accordingly, hospitals, clinics, diagnostic centres, dispensaries and similar establishments run by charitable trusts qualify for exemption in respect of services relating to diagnosis, treatment, or care for illness, injury, deformity, abnormality, or pregnancy.

The exemption generally covers:

- doctor consultations
- in-patient treatment
- surgeries and nursing care
- ambulance services
- diagnostic services forming part of healthcare treatment.

Illustration

A charitable trust operating a hospital providing consultation, surgeries, diagnostics, and ambulance facilities would be eligible for GST exemption on such healthcare services.

However, activities such as cosmetic procedures unrelated to medical treatment, renting of commercial spaces, or sale of unrelated goods require separate GST examination and may attract tax independently.

2.4.4 Entry 66- Services provided by Educational Institutions.

Entry 66 of Notification No. 12/2017-Central Tax (Rate) grants GST exemption to services provided by an "educational institution" as defined under clause 2(y) of the notification. The exemption generally covers institutions providing:

- pre-school education and education up to higher secondary level
- education as part of a curriculum leading to a recognised qualification and
- approved vocational education courses.

Accordingly, trusts or NGOs operating recognised schools, colleges, or approved vocational institutions may qualify for GST exemption in respect of eligible educational services.

Illustration

A charitable trust running a CBSE or State Board affiliated school providing education from pre-primary to higher secondary level would generally qualify for exemption under Entry 66.

However, private coaching centres, hobby classes, test-series programmes, or skill development courses not leading to a recognised qualification may not automatically qualify as exempt educational services and require separate GST examination.

2.4.5 Entry 66A-Affiliation services by Central/State Educational Board or Council.

Entry 66A of Notification No. 12/2017-Central Tax (Rate) grants GST exemption to affiliation services provided by a Central or State Educational Board or Council to schools established, owned, or controlled by the Central Government, State Government, Union Territory, local authority, Governmental authority, or government entity.

This exemption is both supplier-specific and recipient-specific. Accordingly, the exemption is available only where:

- the affiliation service is provided by a recognised Central or State Educational Board or Council; and
- the recipient institution is government-owned or Government-controlled.

Illustration

Affiliation services provided by Central Board of Secondary Education to a Kendriya Vidyalaya or a Government-run school would qualify for GST exemption under Entry 66A.

However, affiliation services provided to private schools, private colleges, or institutions established by charitable trusts do not qualify for exemption under this entry, even if such institutions are engaged in educational activities.

Illustration

A charitable trust operating a private CBSE-affiliated school is required to pay applicable GST on affiliation fees charged by CBSE, as the school is not Government-owned or Government-controlled.

Similarly, affiliation services provided by universities to privately managed aided or unaided colleges established by trusts are not covered under this exemption.

2.4.6 Entry 50-Services of Public Libraries.

Entry 50 of Notification No. 12/2017-Central Tax (Rate) grants GST exemption to services provided by public libraries by way of lending books, publications, or other knowledge-enhancing content.

Accordingly, a public library established and operated by a charitable trust or non-profit institution may qualify for exemption where the primary activity involves providing public access to books and educational material.

Illustration

A charitable trust operating a public library and charging nominal membership fees for borrowing books and publications would generally qualify for GST exemption under this entry.

However, the exemption is limited specifically to services of a “public library.” Therefore, private or commercial reading rooms, premium study lounges, co-working study spaces, or subscription-based facilities may not automatically qualify merely because books are made available.

The essential test is whether the institution functions as a genuine public library engaged in lending books or publications, rather than operating as a commercial study or workspace facility.

2.4.7 Entry 60 - Religious Pilgrimage.

Entry 60 of Notification No. 12/2017-Central Tax (Rate) provides GST exemption for specified religious pilgrimage services conducted by the Haj Committee of India, State Haj Committees, and Kumaon Mandal Vikas Nigam.

This exemption is highly specific and institution-based. It does not extend to all religious tours, yatras, or pilgrimage activities organised by charitable trusts, NGOs, or private entities.

Illustration

Services provided by a State Haj Committee in connection with Haj pilgrimage would qualify for exemption under this Entry.

However, if a private charitable trust organises paid pilgrimage tours to religious destinations such as Jagannath Temple, Vaishno Devi Temple, Ayodhya, or Ramanathaswamy Temple, such activities would not automatically qualify for exemption under Entry 60 and may attract GST depending upon the nature of the services provided.

2.4.8 Entry 13(a) - Services by way of conduct of religious ceremonies.

Entry 13(a) of Notification No. 12/2017-Central Tax (Rate) grants GST exemption to services provided by way of conducting religious ceremonies. The exemption is activity-based and is available where the dominant nature of the service is religious or spiritual in character.

Illustration

Services provided by a temple trust or religious institution for conducting pujas, havans, marriage rituals, *mundan* ceremonies, *sankalps,* or other customary religious rites would generally qualify for exemption under this entry.

The primary test for exemption is whether the essence of the activity constitutes a genuine religious ceremony rather than a commercial or entertainment-oriented event.

2.4.9 Entry 13(b) - Religious Ceremony/ Renting of precincts of Religious Place

Entry 13(b) of Notification No. 12/2017-Central Tax (Rate) grants GST exemption on renting of precincts of a religious place meant for the general public, where such place is owned or managed by a registered charitable or religious trust. The exemption is subject to prescribed monetary thresholds.

Broadly, the exemption is available where:

- room charges do not exceed ₹1,000 per day,
- community halls, kalyan mandapams, or open areas are rented below ₹10,000 per day, and
- shops or business spaces are rented below ₹10,000 per month.

Illustration

A temple trust providing accommodation /rooms to pilgrims at ₹700 per day may qualify for GST exemption under this Entry.

However, where a kalyan mandapam or marriage hall within the religious premises is rented for ₹25,000 per day for a private function or marriage ceremony, the exemption would not be available and GST may become applicable at the prescribed rate.

2.4.10 Entry 10- Import of Services from Outside India.

Entry 10 of Notification No. 9/2017-Integrated Tax (Rate) grants GST exemption on import of services received by a charitable or religious trust from a person located outside India, provided such services are used exclusively for undertaking “charitable activities” as defined under clause 2(r) of the notification.

This exemption is strictly purpose-based and is available only where the imported services are directly linked to approved charitable activities such as public health, education, advancement of religion, spirituality, yoga, or environmental preservation. It does not extend to services used for commercial or non-charitable operations of the trust. Further, OIDAR (Online Information and Database Access or Retrieval) services are specifically excluded from this exemption and remain taxable as per applicable GST provisions.

Illustration

A foreign consultant providing advisory or technical assistance to a charitable trust for implementing a rural healthcare or community welfare project would generally fall within this exemption, provided the services are used solely for charitable purposes.

However, if the same trust imports foreign digital subscriptions, software, or online services not directly linked to specified charitable activities, such services would not be eligible for exemption and may attract GST under the relevant import provisions.

2.4.11 Circular No 66/40/2018- Yoga/Religion/Spirituality camps (including boarding/lodging)

CBIC has clarified that residential programmes, camps, or retreats conducted by a charitable or religious trust may be eligible for GST exemption under Entry 1 of Notification No. 12/2017-Central Tax (Rate), where the dominant objective is the advancement of religion, spirituality, or yoga as covered under clause 2(r) of the Notification relating to "charitable activities."

This exemption may extend even where the consideration is charged on a composite basis including boarding and lodging, provided such facilities are incidental and integrally connected to the main spiritual or yoga programme.

Illustration

A section 12AB registered trust conducts a 7-day residential yoga and meditation camp, charging a consolidated fee covering accommodation, food, and sessions. If the primary objective is genuine spiritual or yoga advancement, the activity would generally qualify for exemption.

However, where the programme is positioned as a commercial wellness retreat, luxury holiday package, fitness resort camp, or personality development programme with commercial intent, the exemption may be denied and GST may become applicable.

2.4.12 Entry 46- Veterinary Clinic

Charitable trusts that establish and operate veterinary clinics for the healthcare of animals or birds are entitled to GST exemption on their clinical services. This is an activity-based exemption, meaning the benefit is tied specifically to the nature of the service rendered — namely, medical care for animals or birds — and not merely to the charitable status of the entity.

The services eligible for exemption include treatment, diagnosis, vaccination, surgery, and general medical care provided to animals or birds within the clinic setup.

Example

A charitable trust running a veterinary clinic in a rural area that provides free or subsidised treatment, vaccination drives and surgical care for stray and domestic animals qualifies for exemption under this entry.

It is important to note that the exemption is strictly confined to healthcare services. Where a trust also engages in the sale of pet food, pet accessories, grooming services, boarding facilities, or any other commercial pet-care activity, such activities fall outside the scope of this exemption — even if they are conducted under the same roof or by the same entity.

2.4.13 Entry 80-Training or coaching in recreational activities relating to sports.

This exemption applies to services by way of training or coaching in recreational activities relating to sports when provided by a charitable entity registered under section 12AA/12AB.

Example

A charitable trust conducting football, athletics, kabaddi or cricket coaching for children as a recreational/sports activity would be covered.

Professional coaching academies, commercial sports camps, franchise-based coaching, or training with dominant commercial intent may be disputed.

2.4.14 Donations/Gifts to Trusts (without quid pro quo)

Voluntary donations are generally outside GST where there is no supply of goods or services in return. The critical test is absence of *quid pro quo*.

Example

A person donates ₹5 lakh to a hospital trust for general charitable purposes and receives only a receipt. This is not consideration for a supply. However, if the donor pays an amount in return for advertising rights, naming rights, sponsorship visibility, event branding, stall space, or business promotion, the amount would be treated as consideration for taxable supply.

2.4.15 Circular No. 116/35/2019-GST- Donor Nameplate/ Display of Gratitude.

The CBIC has clarified that mere display of the donor's name as an expression of gratitude does not amount to taxable supply if it is not intended to advertise or promote the donor's business. The circular gives examples such as "Good wishes from Mr. Rajesh" on a donated digital blackboard and "Donated by Smt. Malati Devi in the memory of her father" in a temple complex. It further clarifies that GST is not leviable where the payment is in the nature of gift/donation, is philanthropic, and does not lead to commercial gain or advertisement.

However, a distinction must be drawn where the so-called donation is not a pure act of philanthropy but is connected with brand visibility, promotion or indirect advertisement of the donor. For instance, where a company undertakes CSR activities through a charitable trust or foundation bearing the company's name, logo or brand identity and the trust prominently displays such name, logo, signage or promotional material in public-facing projects, the payment may lose the character of a voluntary donation. In such cases, the amount received by the trust may be viewed as consideration for providing brand promotion, publicity or advertisement services to the company, and GST implications may arise depending on the facts of the arrangement.

Example

X Limited, a multinational corporation, carries out its philanthropic and CSR activities through a charitable trust established by its promoters in the name of "X Foundation". The foundation undertakes construction of classrooms, public health camps and drinking water facilities in rural areas. At each project site, large boards are installed displaying "An initiative of X Limited", along with the company's logo, tagline and corporate brand colours. The same activities are also publicised in brochures, social media posts and press releases highlighting the CSR contribution of X Limited.

In such a case, although the amount is described as a donation or CSR contribution, the surrounding facts may indicate that the payment is linked with brand visibility and public promotion of X Limited. The display is not merely an expression of gratitude such as “Donated by X Limited”, but has the effect of advertising or promoting the company’s brand. Therefore, the amount received by the charitable trust/foundation may not retain the character of a pure philanthropic donation and may be treated as consideration for supply of advertisement, publicity or brand-promotion services, thereby attracting GST.

However, where the display is limited to a simple acknowledgement such as “Donated by X Limited” without logo, tagline, product reference, promotional message or brand positioning, the transaction may still be regarded as a philanthropic donation and may not constitute a taxable supply.

2.5 Sections 10–14 of IGST Act — Place of Supply

2.5.1 General Eligibility

For charitable trusts operating across multiple States or receiving FCRA funding from foreign sources, the place of supply (POS) rules under the IGST Act, 2017 are critical for correct levy determination (CGST+SGST vs. IGST).

2.5.2 Applicability of the provisions with respect to Charitable Trusts and NPOs.

Transaction	Applicable POS Rule	POS
Renting of immovable property	Section 12(3) IGST Act	Location of the immovable property
Training/workshop services	Section 12(5) — location of performance	Where service is actually performed in case of unregistered person otherwise location of registered recipient
FCRA grants — foreign transfer	Not a supply — outside GST	N/A — FCRA compliance governs
Event management (trust organising	Section 12(7), IGST Act	Where the event is actually held

events in another state)		

2.6 Section 12-15 of CGST Act 2017- Time and Value of Supply

2.6.1 Why This Matters for Charitable Trusts

Two critical questions arise together in every GST transaction: (1) When does GST liability arise? and (2) On what amount is GST calculated? The CGST Act answers them through two sets of provisions — sections 12 and 13 govern time of supply, while section 15 governs value of supply. For charitable trusts, these provisions determine the precise moment GST must be paid and the taxable base on which it is computed — directly impacting cash flow, return filing, and interest exposure.

2.6.2 Time of Supply — Definition

'Time of supply' is the point in time at which a supply is treated as having occurred under GST law. It is the trigger for GST liability — the date from which a trust must account for and remit GST on a taxable transaction. It is determined separately for goods and services.

The importance of time of supply cannot be overstated: GST paid after the time of supply attracts interest at 18 per cent per annum from the due date. For RCM transactions — where the trust is the one paying GST — incorrect identification of the time of supply is the most common cause of interest demands.

Section 12 — Time of Supply of Goods (where a trust sells taxable goods)

Scenario	Time of Supply — Rule
Normal case — invoice issued within prescribed period	Earlier of: (a) Date of issue of invoice; or (b) Last date by which invoice ought to have been issued * In case where the supply involves movement of goods, the invoice needs to be issued at the time of removal of goods or invoice needs to be

	issued at the time of delivery of goods or making available thereof to the recipient in other cases.
Invoice NOT issued within prescribed period	Date on which supplier receives the payment with respect to the supply The date on which supplier receives the payment shall be deemed to be the date on which payment is entered in his books of accounts or the date on which the payment is credited to his bank account, whichever is earlier.
Reverse Charge (RCM — inward supply of goods)	Earliest of: (a) Date of receipt of goods; or (b) Date of payment; or (c) Date immediately after 30 days from date of invoice of the supplier If not possible to determine time of supply under (a), (b), (c) above, then time of supply will be date of entry in the books of accounts of the recipient. *Date of payment shall be earlier of- -The date on which the recipient entered the payment in his books or -The date on which payment is debited from his bank account

Section 13 — Time of Supply of Services (most relevant for charitable trusts)

Scenario	**Time of Supply — Rule**
Normal case — invoice issued within prescribed period i.e. 30 days of supply	Earlier of: (a) Date of issue of invoice; or (b) Date of receipt of payment *Date of receipt of payment shall be the date on which the payment is credited in the books of accounts of the supplier or the date on which

	the payment is credited to his bank account, whichever is earlier.
Invoice NOT issued within prescribed period, i.e. 30 days of completion of service	Earlier of: (a) Date of completion of supply of service; or (b) Date of receipt of payment *Date of receipt of payment shall be the date on which the payment is credited in the books of accounts of the supplier or the date on which the payment is credited to his bank account, whichever is earlier.
In case both the above conditions are not met, i.e. invoice not issued within or after the prescribed period	The date on which recipient shows the receipt of services in his books of accounts.
Reverse Charge — inward services (RCM on trust as recipient)	Earlier of: (a) Date of payment as entered in books of the recipient or date of debit in bank account (whichever is earlier); or (b) Date after 60 days from date of invoice of the supplier. Where neither can be determined: Date of entry in books of recipient (c) the date of issue of invoice by the recipient, in cases where invoice is to be issued by the recipient. Where neither can be determined: Date of entry in books of recipient
Advance received before supply of service	Date of receipt of advance — GST becomes payable at the time of receipt of advance itself (not at time of actual service delivery)

Continuous Supply of Goods & Services- Section 31(4) & (5)

Aspect	Continuous Supply of Goods	Continuous Supply of Services

Definition	Supply provided continuously or on a recurrent basis, under a contract (including via wire, cable, pipeline, or conduit), with periodic invoicing by the supplier.	Supply provided continuously or on a recurrent basis, under a contract, for a period exceeding 3 months, with periodic payment obligations.
Time of Issuing Tax Invoice		
General rule	Before or at the time of each successive statement of accounts or each payment received.	Depends on how the payment due date is determined (see rows below).
Due date identifiable from contract	Not separately applicable.	Invoice issued before or after the payment due date — whether or not payment is actually received — within the specified time.
Due date not identifiable	Not separately applicable.	Invoice issued before or after each time the supplier actually receives the payment, within the specified time.
Payment linked to event completion	Not separately applicable.	Invoice issued before or after the completion of that event, within the specified time.
Supply ceases mid-contract	Not separately applicable.	Invoice issued at the time supply ceases, covering only services rendered up to that point.

Specified Time Limits for Issuing Invoice	
Standard suppliers(including Trusts/NPOs)	Within 30 days from the date of each contract event (requiring payment) is completed.
Banks / FIs / NBFCs	Within 45 days from the date of supply of service.

Example: XYZ Limited(company) enters into an MOU with ABC Trust (CSR implementing partner) on 1 April 2025 for ₹60 lakhs to implement a rural skill development programme in Odisha over 12 months. Funds are released in four quarterly instalments of ₹15 lakhs each, tied to quarterly progress reports. The provisions of Section 31(5)-Continuous supply of services is applicable and invoice shall be issued as under:

Quarter	Event	Invoice to be raised
Q1	Progress report submitted / payment due	Before or after Q1 payment, within 30 days
Q2	Progress report submitted / payment due	Before or after Q2 payment, within 30 days
Q3	Progress report submitted / payment due	Before or after Q3 payment, within 30 days
Q4	Final completion report	Before or after Q4 payment, within 30 days

2.6.2.1 Examples Relevant to Trusts and NPOs (Time of Supply & Nature of Transaction)

1. Renting of Commercial Property

Where a charitable trust owns immovable property and leases it to commercial entities such as banks, shops, or offices, the activity is generally taxable (unless specifically exempt). In such cases, the time of supply is determined under section 13 of the CGST Act.

Illustration

Rent for April is invoiced on 1st April and received on 10th April. Since the invoice is issued within the prescribed time, the time of supply will generally be 1st April.

2. Sponsorship or Advertisement Services

Where a trust receives consideration from a corporate entity in exchange for brand visibility, such as logo display, banners, or promotional acknowledgements, the transaction may constitute a taxable sponsorship or advertising service. In such cases, section 13 applies for determining time of supply.

Illustration

A trust receives Rs. 5,00,000 from a corporate entity for displaying its logo as "Event Sponsor" during a public programme and providing branding visibility through banners and promotional announcements. Since the payment is linked to promotional benefits provided to the corporate entity, it constitutes consideration for a taxable supply rather than a voluntary donation. Depending on the nature and terms of the arrangement, the transaction may qualify as sponsorship services attracting reverse charge in the hands of the recipient under Entry 4 of Notification No. 13/2017-Central Tax (Rate), or as advertising/promotional services taxable under the forward charge mechanism.

3. Taxable Training or Coaching Programmes

Where a charitable trust conducts paid training, coaching, or skill development programmes not covered under any specific exemption, such activities may be taxable. If advance fees are collected, the time of supply may arise at the time of receipt of payment or issuance of invoice, as per section 13.

4. Accommodation Services

Where accommodation services provided by a trust do not qualify for exemption under the relevant notification entries (e.g., threshold conditions not met), such services become taxable. The time of supply will be determined as per section 13 based on invoice issuance or receipt of consideration.

2.6.2.2 Donations, Grants and Voluntary Contributions – Applicability of Section 13

In the context of charitable trusts and NPOs, the primary test is whether the amount received constitutes “consideration” for a supply.

Where a donation or grant is purely voluntary, with no obligation on the trust to provide any goods, services, advertisement, sponsorship benefit, naming rights, or other reciprocal advantage, it does not qualify as consideration. In such cases, there is no "supply" under GST, and consequently, section 13 relating to time of supply does not apply.

Example – Pure Donation

A donor contributes ₹10,00,000 to a charitable hospital for general welfare purposes. The hospital issues only a donation receipt without offering any benefit or publicity in return. This is a pure voluntary contribution and no GST implication arises as there is no supply.

Example – Donation with Quid Pro Quo

A company contributes ₹10,00,000 to a trust for organizing a health camp and in return, the trust agrees to display the company's name and logo as "Healthcare Partner" across banners, brochures and media publicity. In this case, the payment is linked to promotional benefit and may be treated as consideration for advertisement or sponsorship services. Accordingly, GST provisions apply, and section 13 is relevant for determining the time of supply., i.e.,

If Invoice issued within 30 days of supply of service: Earlier of

a) Date of issue of invoice

b) Date of receipt of payment.

If Invoice not issued within 30 days of supply of service: Earlier of

a) Date of completion of supply of service

b) Date of receipt of payment.

If above two conditions are not met, the date on which recipient shows the receipt of services in his books of accounts.

2.6.3 Value of Supply — Definition (Section 15)

'Value of supply' is the taxable base on which GST is calculated. Section 15(1) defines it as the transaction value — the price actually paid or payable for the supply of goods or services — where the supplier and recipient are not related persons and the price is the sole consideration for the supply.

For charitable trusts, the value of supply is the amount charged from the beneficiary, donor (in a contracted CSR arrangement), Government, or any other recipient of services — plus any additional amounts that are includible under section 15(2).

Section 15(2) — Amounts to be included in Value of Supply

Includible Item	Meaning and Application for Charitable Trusts
Taxes, duties, cesses, fees, charges levied under any other law	Statutory levies or regulatory fees charged to the beneficiary along with service fees — includible in taxable value
Amounts incurred by recipient on behalf of supplier	Reimbursements paid by corporate donor for travel, printing, or project expenses as part of a contracted CSR service — part of taxable value
Incidental expenses (packing, facilitation, commission)	Documentation charges, facilitation fees, or any ancillary charge billed along with the main service — includible
Subsidies linked directly to price (from non-Govt. sources)	Private donor subsidies that directly reduce the service price to beneficiaries — may need to be added to the taxable base. *Exception*: Government subsidies are explicitly excluded [section 15(2)(e)]
Interest or late payment charges for delayed payment	If the trust charges interest on overdue fees — such interest is includible in value of supply

Section 15(3) — Amounts that may be excluded (deducted) from Value of Supply:

Excludible Item	Meaning and Application for Charitable Trusts
Discounts given before or at the time of supply — recorded in invoice	Concessions on workshop fees to specific categories (students, senior citizens, BPL beneficiaries) — deductible from taxable value if reflected in invoice

Post-supply discounts — established by prior agreement (with ITC reversal by recipient)	Post-supply fee waivers under a pre-existing agreement — deductible from value if conditions under section 15(3)(b) are met. Section 15(3)(b) has now been amended by the Finance Act 2026, removing the conditions of pre-agreement & invoice linking, thereby paving way for an easier compliance for post-sale discounts. The same is yet to be notified.

Government Subsidy — Explicit Exclusion:

Section 15(2)(e) provides that subsidies given by the Central Government or a State Government shall not be included in the value of supply. This is significant relief for charitable trusts operating under Government subsidy schemes — the subsidy component does not inflate the GST taxable base.

Illustration

A trust runs a skill-development programme for tribal youths under a State Government scheme. The State Government pays Rs. 3,000 per trainee as a subsidy; the trainee pays Rs. 500 as nominal contribution. Total programme cost per trainee = Rs. 3,500. Taxable value of supply = Rs. 500 only (the consideration received from the recipient trainee). Government subsidy of Rs. 3,000 is excluded from the value of supply under section 15(2)(e). GST (if the service is taxable) is computed only on Rs. 500.

2.6.3.1 Examples of Value of Supply

1. Renting of property

A charitable trust rents a commercial shop for ₹50,000 per month. If the renting is taxable, the value of supply will generally be ₹50,000 per month and GST shall be computed on such amount.

2. Hostel or accommodation service

A trust charges ₹30,000 per month per person for accommodation where the exemption conditions are not satisfied. In such a case, the value of supply will generally be the amount charged from the resident, subject to the applicable valuation provisions.

3. Sale of goods

A trust sells handicrafts made by beneficiaries for ₹1,000 per item. If such sale is taxable, the value of supply will generally be ₹1,000 per item.

2.6.3.2 Subsidised or Concessional Charges by Charitable Trusts

A common issue in charitable institutions is that services are often provided at subsidised or concessional rates. Merely because a trust charges an amount lower than the market rate, it does not automatically mean that GST is payable on the market value. If the supplier and recipient are not related and price is the sole consideration, the actual price charged will generally be accepted as the transaction value under section 15.

Example

A charitable trust runs a diagnostic centre and charges ₹300 for a test whose market price is ₹1,000. If the service is taxable and the patient is not related to the trust, the value of supply would generally be ₹300 and not ₹1,000.

However, if the recipient is a related person, or where the consideration is not wholly in money, or where some additional non-monetary benefit is received by the trust, the valuation rules may become relevant.

2.6.3.3 Relevance of Valuation Rules

In addition to section 15, the valuation provisions under the CGST Rules may become relevant where the transaction value cannot be directly adopted. This may happen where the supplier and recipient are related, price is not the sole consideration, consideration is partly monetary and partly non-monetary, or the transaction involves reimbursements, pure agent recoveries, barter, exchange or other non-standard arrangements.

In such cases, the value may have to be determined with reference to the open market value, value of supply of like kind and quality, cost-based valuation, residual valuation method, or specific rules applicable to particular supplies. For charitable trusts, this may become relevant where services are provided to related institutions, promoter-controlled entities, corporate donors, group foundations, or where the trust receives a monetary contribution along with non-monetary benefits such as branding rights, assets, facilities, publicity, sponsorship benefits or promotional visibility.

Therefore, while the ordinary rule is to adopt the actual price charged, the valuation rules must be examined wherever the consideration structure is not straightforward.

2.6.3.4 What Gets Included in Value under Section 15?

1. Incidental/ Ancillary amounts recovered.

For taxable supplies by trusts, the value may include not only the basic amount charged, but also incidental or ancillary amounts recovered from the recipient in connection with the supply. These may include facility charges, maintenance charges, cleaning charges, packing charges, late fees, penalty for delayed payment, or any amount which the supplier is liable to pay but which is incurred by the recipient.

Example

A trust rents out a hall for ₹20,000 and separately collects ₹5,000 towards cleaning and maintenance. If the hall renting is taxable and the cleaning or maintenance charge is part of the same supply, the taxable value may be ₹25,000.

Similarly, if rent is delayed and the trust collects interest or late fee, such additional amount may also form part of the value of supply.

2. Reimbursements and Recoveries

Trusts often collect reimbursements from beneficiaries, students, residents, patients, members or event participants. The taxability and valuation of such recoveries depend on the nature of the underlying supply and the manner in which the recovery is made.

Example

A trust organises a taxable workshop and collects ₹2,000 as registration fee and ₹500 separately towards food and study material. If the workshop is taxable and the food/material charges are naturally connected with the workshop, the total amount of ₹2,500 may be considered for valuation.

However, where the amount is collected purely as reimbursement on behalf of the recipient and the conditions of pure agent are satisfied, exclusion may be applicable. The pure agent concept should, however, be applied carefully and only where all prescribed conditions are fulfilled.

3. CSR Receipts and Valuation

CSR receipts require a careful distinction between pure CSR donation and CSR-linked taxable service.

Where a company contributes funds to a charitable trust for undertaking CSR activities without receiving any promotional benefit, advertising right, naming right, sponsorship visibility, brand promotion or other reciprocal benefit, the amount may be regarded as a donation or grant and not as consideration for supply.

However, if the trust provides visibility to the company by displaying its name, logo, tagline, brand colours, product references or promotional material, the receipt may be viewed as consideration for advertisement, publicity, sponsorship or brand-promotion service.

Example

X Limited contributes ₹25,00,000 to X Foundation for construction of school classrooms. If the classrooms merely carry a small acknowledgement stating "Supported by X Limited" without any logo, promotional tagline, product reference or brand-promotion element, the contribution may continue to retain its philanthropic character.

However, if the classrooms, public boards, brochures, press releases and social media posts prominently display X Limited's logo, brand colours, corporate tagline and promotional message, the arrangement may indicate that the payment is linked with brand visibility. In such a case, the amount may be treated as consideration for advertisement or brand-promotion service. Accordingly, section 13 would determine the time of supply and section 15 would determine the value of supply, generally being the amount received for such service.

In the context of charitable trusts and NPOs, section 15 becomes relevant only after it is established that the receipt relates to a taxable supply. Pure donations, voluntary contributions and grants without *quid pro quo* do not ordinarily require valuation under GST. However, where the trust undertakes taxable activities such as renting, taxable accommodation, sale of goods, sponsorship, advertisement, brand promotion, taxable training or other taxable services, the value of supply has to be determined in accordance with section 15. The actual amount charged will generally be accepted as the transaction value where parties are unrelated and price is the sole consideration. However, where related party dealings, non-monetary consideration, reimbursements, pure agent recoveries, concessional pricing, CSR-linked branding or promotional benefits are involved, the valuation rules must be examined to determine the correct taxable value.

2.6.4 Practical Application for Charitable Trusts — Consolidated Reference Table

Trust Scenario	Time of Supply	Value of Supply
Paid workshop — fee collected in advance before the workshop date	Date of receipt of advance — GST due immediately on that date	Full fee received. Discounts to specific categories (if shown on receipt) deductible
Hall rental to commercial entity — invoice raised on 15th of each month	Date of invoice (15th) or date of receipt of rent — whichever is earlier	Agreed monthly rent + maintenance charges billed separately
CSR contracted service — milestone-based disbursement by corporate	Date of invoice raised on achieving milestone or date corporate releases payment — whichever is earlier	Total contracted amount per milestone + reimbursables paid by corporate under the SOW
Hostel accommodation charged at Rs. 22,000/month (taxable — exceeds Entry 12A limit)	Date of invoice / monthly billing date — or date of receipt of rent if earlier	Rs. 22,000 per person per month. Government subsidy (if any) excluded. Discount on invoice deductible.
GTA services availed — trust pays transporter (RCM applicable)	*Earlier of:* (i) the date of payment to the GTA; (ii) the date immediately following 60 days from the date of the GTA's invoice/consignment note, where invoice is required to be issued by the supplier; or (iii)	Freight amount charged by GTA + any loading/unloading charges billed as part of freight

	the date of self-invoice issued by the trust under section 31(3)(f), where the recipient is required to issue the invoice.	

2.7 Section 16: Input Tax Credit for Charitable Trusts

2.7.1 General Eligibility

For charitable trusts, the issue of input tax credit (ITC) becomes particularly important because their activities may include exempt charitable services, taxable services and in some cases, mixed or incidental commercial activities. A charitable trust registered under section 12AA/12AB of the Income-tax Act may enjoy exemption under GST only for specified charitable activities. However, such exemption has a direct impact on ITC, because credit is generally not available in respect of inputs, input services, or capital goods used for making exempt supplies.

Therefore, charitable trusts are required to carefully examine the nature of their outward supplies before claiming ITC. Where the trust is engaged in both taxable and exempt activities, proportionate reversal of ITC may be required in accordance with the provisions of the CGST Act and the relevant rules.

2.7.2 Reversal of ITC - Section 17(2) & Rules 42 & 43 of CGST Rules 2017

Section 17(2) of the CGST Act restricts ITC to inputs, input services, and capital goods used for making taxable supplies. Where a trust makes both taxable and exempt supplies — which is the norm for most charitable organisations — ITC on common inputs must be apportioned in accordance with rule 42 (for inputs and input services) and rule 43 (for capital goods) of the CGST Rules.

The formula under rule 42 computes ITC eligible for taxable supplies as follows:

Rule 42 — ITC Apportionment Formula
C2 (Common Eligible ITC) = (T − T1 − T2 − T3) × (Taxable Turnover / Total Turnover) Where: T = Total ITC on all common inputs and input services | T1 = ITC exclusively attributable to taxable supplies | T2 = ITC exclusively attributable to exempt supplies | T3 = ITC used for non-business / personal purposes | C2 = Remaining common credit eligible for apportionment [Note: T1 is directly credited; T2 and T3 are directly reversed; only C2 is apportioned by the turnover ratio asper rule 42(2)] **Illustration** A trust receives Rs. 30 lakhs from taxable activities and Rs. 70 lakhs from exempt charitable activities (total turnover Rs. 1 crore). The common ITC on shared overheads (utilities, rent, administrative staff) is Rs. 5 lakhs. C2 = Rs. 5 lakhs × 30/100 = Rs. 1.5 lakhs eligible ITC. The balance Rs. 3.5 lakhs (70 per cent) must be reversed in GSTR-3B. Provisional reversals are required monthly; the final annual true-up is carried out before filing the September return (rule 42(2)).

2.7.3 Blocked credits

Section 17(5) dealing with 'blocked credits' categorically denies ITC on certain categories regardless of the end use. Key provisions applicable to trusts include:

- Food and beverages, outdoor catering — ITC is blocked unless the trust is in the business of supplying such services [section 17(5)(b)(i)]
- Beauty treatment, health services, cosmetic and plastic surgery — blocked unless the trust provides these services [section 17(5)(b)(ii)]
- Works contract services for immovable property (other than plant and machinery) — ITC on construction or renovation of trust buildings is blocked[section 17(5)(c)]
- Goods or services received for construction of immovable property on his own account — also blocked [section 17(5)(d)]

2.7.4 ITC Apportionment - Practical Challenge

The practical challenge for trusts is not the legal requirements — it is the data management. To correctly apply rule 42, a trust must maintain:

- Activity-wise expense registers, segregating costs between taxable, exempt and non-supply activities
- Monthly turnover statements for the apportionment ratio computation
- Timely reversal entries in GSTR-3B to avoid interest exposure

Many smaller trusts — operating with minimal administrative infrastructure — find this exercise disproportionately burdensome. This is a systemic gap that merits regulatory attention (see Chapter 4 recommendations).

2.8 Sections 22 & 24 — Registration and Compulsory Registration

2.8.1 Section 22- Registration.

Section 22 of the CGST Act, 2017 lays down the basic threshold-based registration requirement under GST. The provision applies equally to charitable trusts, societies, section 8 companies and other non-profit organisations. The charitable nature of an entity does not, by itself, exempt it from registration under GST.

Under section 22(1), every supplier is liable to obtain GST registration in the State or Union Territory from where the taxable supplies are made if the aggregate turnover during a financial year exceeds the prescribed threshold limit. Presently, the threshold limit is generally *₹20 lakh* for suppliers of services *and ₹10 lakh* in certain notified special category States. In the case of persons engaged exclusively in the supply of goods, the threshold may be enhanced up to *₹40 lakh,* subject to the conditions notified by the Government.

How Aggregate Turnover is Computed for a Trust

'Aggregate turnover' under section 2(6) of the CGST Act includes the aggregate value of all taxable supplies, exempt supplies, exports, and inter-State supplies — but excludes taxes and the value of inward supplies on which tax is paid on reverse charge basis.

Critically, even exempt supplies count towards the threshold computation, though they do not themselves attract tax. Donations and unconditional grants are not 'supplies' and are therefore excluded entirely from the computation.

Example

A trust receives Rs. 8 lakhs from paid workshops (taxable), Rs. 15 lakhs from donations (not a supply) and Rs. 8 lakhs from hall rentals (taxable). Its aggregate turnover is Rs. 16 lakhs — below the threshold; hence no registration needed. If it additionally receives Rs. 6 lakhs from charitable healthcare services (exempt supply), the aggregate rises to Rs. 22 lakhs — registration becomes mandatory.

Key Takeaway for Charitable Institutions

Before determining registration liability, every charitable trust should undertake an annual review of its receipts and classify them into:

- Donations and corpus contributions
- Exempt charitable activities
- Educational and healthcare services;
- Government grants
- CSR receipts
- Rental income
- Sale of publications and merchandise
- Sponsorships and event-related receipts
- Other commercial activities.

Such classification is crucial because incorrect exclusion of exempt supplies from aggregate turnover is one of the most common reasons for disputes relating to GST registration in the non-profit sector.

2.8.2 Section 24- Compulsory Registration

Section 24 of the CGST Act overrides the threshold exemption provided under section 22 and mandates compulsory registration for specified categories of persons irrespective of turnover. Accordingly, even if a charitable trust does not cross the ₹20 lakh threshold, registration may still become mandatory if it falls within any of the categories specified under section 24.

For charitable trusts and non-profit organisations, the following clauses are particularly relevant:

(i) Inter-State Taxable Supply

Persons making inter-State taxable supplies are ordinarily required to obtain compulsory registration. However, exemptions have been granted in certain cases for service providers. Charitable trusts conducting taxable training programmes, consultancy services, online sessions, or renting activities across States should carefully examine whether inter-State transactions trigger registration liability.

(ii) Casual Taxable Persons

A charitable trust occasionally conducting exhibitions, fundraising events, spiritual camps, or temporary programmes in another State without having a fixed place of business there may qualify as a casual taxable person and require registration.

(iii) Persons Liable to Pay Tax under Reverse Charge

This is one of the most important provisions for charitable trusts. Even a trust engaged entirely in exempt charitable activities may be required to obtain registration if it is liable to pay GST under reverse charge mechanism (RCM).

(iv) Persons Required to Deduct tax under section 51

Government-funded trusts, authorities, boards, societies, or institutions notified under section 51 may be required to deduct GST at source (TDS) while making payments to suppliers. Such entities must obtain GST registration irrespective of their turnover.

(v) Persons Supplying Through E-Commerce Operators

Where charitable trusts supply taxable goods or services through e-commerce platforms, registration requirements may arise. For example:

- Sale of books, handicrafts or merchandise through online platforms
- Online fee-based wellness or training programmes or
- Digital educational content supplied through portals.

(vi) Input Service Distributor (ISD)

Large charitable organisations having multiple branches or State registrations may opt for ISD registration for distribution of common input tax credit.

Key Takeaway

Section 24 significantly widens the GST registration net for non-profit organisations. Accordingly, trusts cannot determine registration liability merely on the basis of turnover. Even where receipts remain below the threshold prescribed under section 22, registration may still become mandatory due to:

- Reverse charge liability
- Inter-State taxable supplies
- TDS obligations; or
- Supplies through electronic platforms.

Therefore, charitable organisations must evaluate both section 22 and section 24 together before concluding whether GST registration is required.

2.9 Revenue Architecture of Non-Profit Entities

One of the defining characteristics of the sector — and the root cause of its GST complexity — is the heterogeneity of income streams. Unlike commercial enterprises that earn primarily from trade, charitable trusts typically receive income from multiple channels, each carrying a different GST character as shown hereunder:

Revenue Stream	Description	GST Character
Voluntary Donations	Unconditional transfers from donors — no service in return	Not a supply — outside GST scope
Government Grants (Performance-linked)	Grants tied to specific deliverables or beneficiary targets	Contested — may be treated as consideration for supply
CSR Funds (Pure Grant)	Corporate contributions with no	Not a supply — outside GST

	contractual obligation	
CSR Funds (Contracted Service)	CSR payments with SOW, deliverables, and milestones	Taxable supply — 18% GST applies
Membership Subscriptions	Periodic fees from members with access to benefits	Taxable if specific benefits are conferred
Fees for Training / Workshops	Registration charges for paid programmes	Taxable unless educational institution exemption applies
Hostel / Residential Accommodation	Accommodation provided to students or working persons	Exempt if value is ≤ Rs. 20,000/month and stay for ≥ 90 days (w.e.f. 15.07.2024)
Rental of Immovable Property	Leasing premises to commercial entities	Taxable @ 18%
Sale of Goods (Books, Publications)	Sale of printed books, CDs, merchandise	Taxable at applicable GST rate asper HSN classification
Foreign Contribution (FCRA)	Funds received from foreign sources	Outside GST; regulated under FCRA
Healthcare Services	Services by charitable hospital open to all	Exempt under Entry 74 of Notification 12/2017

Chapter 3

Judicial Decisions and Advance Rulings

3.1 Overview of the AAR / AAAR Framework

The Authority for Advance Ruling (AAR) and the Appellate Authority for Advance Ruling (AAAR) have been constituted under sections 96–106 of the CGST Act, 2017 in each State and Union Territory. They provide tax certainty to specific applicants by issuing binding rulings on questions of law or fact in relation to supply of goods or services proposed to be undertaken by the applicant.

The following important limitations of AAR/AAAR rulings must be borne in mind:

- An advance ruling is binding only on the applicant and the jurisdictional GST officer — it is *not* a binding precedent on other taxpayers or other jurisdictions.
- Different AARs across States may take contradictory positions on identical issues, creating jurisdictional inconsistency.
- AAR rulings can be appealed to the AAAR within 30 days, condone delay of a further 30 days if sufficient cause is shown.
- Nonetheless, AAR/AAAR rulings provide valuable guidance on interpretational positions adopted by tax authorities and may influence departmental practice even where not technically binding.

3.2 Detailed Analysis of Key Rulings

The specifics of each case mentioned above are detailed herein below.

3.2.1 M/s Dream Runners Foundation [AAR Tamil Nadu (2019)]

(Order No 6/AAR/2019, dated 22.01.2019)

Facts

Dream Runners Foundation is a public charitable trust duly registered under section 12AA of the Income Tax Act, 1961. The trust primarily organizes annual marathon events with the objective of promoting awareness towards health, fitness and social welfare, while also mobilizing support for various charitable causes, including assistance to underprivileged amputees and funding for prosthetic limbs. In furtherance of these objectives, the trust collects a mandatory registration fee from individuals participating in the marathon events. The surplus generated from such registration fees, after meeting necessary administrative and event management expenses, is wholly and exclusively utilized towards charitable activities and disbursements in accordance with the objects of the trust.

Questions Before AAR:

(a) Whether the organizing and conducting of marathon events by a registered charitable trust constitutes an exempt supply of service by way of "charitable activities"?

(b) Whether a valid registration under section 12AA of the Income Tax Act automatically or implicitly creates or guarantees an exemption under the goods and services tax (GST) regime?

(c) Whether the foundation is required to obtain registration under the Central Goods and Services Tax (CGST) Act, 2017 and State-specific GST laws, given its charitable nature?

(d) Whether the entry/registration fees collected from individual marathon participants can be treated as tax-exempt "donations" or "gifts" for a charitable cause.

Decision and Reasoning

The Authority for Advance Ruling (AAR) held a stringent view in the case of M/s. Dream Runners Foundation the applicant, clarifying the separation between direct and indirect tax laws through the following reasoning:

- ***No Automatic GST Exemption via Income Tax Status:*** The AAR held categorically that a section 12AA registration under the Income Tax Act does *not* automatically confer an exemption from GST. Under GST law, an entity's income tax status is not a blanket immunity against indirect tax liabilities.
- ***The Exhaustive Nature of 'Charitable Activities'*:** For a service to be exempt under Notification No. 12/2017-Central Tax (Rate), it must strictly match the exhaustive definition of "charitable activities" provided in clause 2(r) of the notification. This definition covers only four specific prongs:
  1. Public health services (e.g., care for terminally ill, counselling).
  2. Advancement of religion, spirituality, or yoga.
  3. Advancement of educational programs or skill development for abandoned, orphaned, or traumatized persons.
  4. Preservation of the environment (including watershed, forests, and wildlife).
- ***Marathons as Commercial Event Management:*** The AAR reasoned that organizing a marathon is a recreational, sports and public event management activity. It does not fit into any of the four strict boundaries of clause 2(r). The public relations, branding, and logistics involved mimic a standard commercial event.
- ***Registration Fee vs. Voluntary Donation:*** The entry fees collected from runners are a direct *quid pro quo* (something for something)—the payment is a mandatory prerequisite to access the event, receive running kits and utilize the race infrastructure. Therefore, these fees do not qualify as unconditional donations; they constitute "consideration" for the supply of service under *section 2(31) of the CGST Act* and are fully taxable.
- ***Liability to Register:*** Because the activity is a taxable supply of service, if the aggregate turnover of the trust (including these

registration fees) exceeds the statutory threshold limit, registration under Section 22 of the CGST Act is legally mandatory.

Significance:

This ruling is a landmark reference point for the non-profit sector because it firmly establishes the "activity-test" principle under GST:

The Activity-Test Principle: Under indirect taxation, exemption eligibility is entirely determined by the specific objective nature of the activity being performed, not by the altruistic or charitable character of the entity performing it.

Even if 100 per cent of the profits are funnelled into noble causes, the mechanism used to generate those funds (if commercial in execution) remains fully subject to GST. Charities must structurally separate their pure, unconditional donations from their event-based, service-oriented revenue streams.

3.2.2 Manav Seva Charitable Trust [AAR Gujarat (December 2025)]

(Order No GUJ/GAAR/R/2025/63 dated 23.12.2025.)

Facts

Manav Seva Charitable Trust, along with its operational arms and sister institutions such as Sadbhavna Seva Foundation, is a non-profit charitable trust registered under section 12AB (formerly section 12AA) of the Income Tax Act, 1961. The objects of the trust, *inter alia,* include environmental protection, afforestation and tree plantation activities. In furtherance of these charitable objectives, the trust undertakes large-scale plantation drives and multi-year post-plantation maintenance activities, including avenue plantation alongside highways, road dividers, vacant lands and barren public spaces. The trust was selected for execution of a major environmental project under the "Harit Van Path Yojna," a public-private partnership (PPP) green corridor initiative launched by the Forest and Environment Department of the Government of Gujarat with the objective of substantially increasing tree cover outside traditional forest areas. For execution of the said project, the trust receives structured consideration/payments from the concerned Government authorities in accordance with the terms and conditions prescribed under the scheme, primarily to meet the substantial capital and operational expenditures relating to excavation, procurement of saplings, installation of tree guards, watering systems and long-term maintenance and upkeep of the plantation projects.

Questions Before AAR

(a) Whether the operational activity of tree plantation and subsequent maintenance under the Government's *Harit Van Path Yojna* qualifies as a "charitable activity" under the specific legal definition provided in clause 2(r)(iv) of Notification No. 12/2017-Central Tax (Rate)?

(b) Whether the trust is legally liable to pay GST on the execution of these plantation services, or if the amounts received from the Government are fully exempt from tax under Sl. No. 1 of Notification No. 12/2017-Central Tax (Rate)?

Decision and Reasoning

- ***Satisfaction of the Dual Eligibility Criteria:*** The AAR noted that to claim immunity under Sl. No. 1 of Notification No. 12/2017, an applicant must clear a two-fold test namely : (1) the entity must be registered under section 12AA/12AB of the IT Act, and (2) the services rendered must fall squarely within the definition of "charitable activities." The trust clearly satisfied the first condition.

- ***Expansive Interpretation of 'Preservation of Environment'*:** The Revenue Department initially leaned towards a restricted view that "preservation" only meant defending existing ecosystems. However, the AAR perused the National Forest Policy and held that active afforestation, social forestry and building tree cover on degraded or non-forest land are inherently vital to "preservation of environment including watershed, forests and wildlife" under clause 2(r)(iv).

- ***Ancillary Activities Form Part of the Core Supply:*** The AAR affirmed that tree plantation cannot survive without extensive maintenance. Therefore, digging pits, weeding, soil levelling, pest control, putting up bamboo/metal tree guards and regular watering over a multi-year cycle are non-severable, ancillary segments of the exempt environmental service.

- ***Government Consideration does not Alter the Charitable Status:*** The AAR clarified that executing projects under a Government-backed PPP model for a defined monetary sum does not strip the project of its non-commercial, charitable nature. Because the primary intent of the *Harit Van Path Yojna* is ecological balance and checking desertification—not commercial trade—the receipts are exempt from GST.

- ***Precedent Alignment:*** The bench reinforced its stance by drawing an analogy from its earlier landmark ruling (*Vikas Centre for Development*), where similar environmental restoration work (specifically mangrove plantations along coastal belts) was granted tax exemption.

Significance

This ruling marks a landmark precedent under GST law by recognizing afforestation, green-corridor development and long-term ecological management as activities falling within the ambit of "environmental preservation." The decision provides significant relief to NGOs and charitable trusts by exempting Government-funded plantation and PPP environmental projects from the burden of 18 per cent GST, thereby strengthening climate resilience and sustainable green infrastructure initiatives across India.

3.2.3. M/s Jayshankar Gramin vs Adivasi Vikas Sanstha [AAR, Maharashtra]

(Order No GST-ARA-97/2019-20/B-91 dated 10.11.2021.)

Facts

Jayshankar Gramin Va Adivasi Vikas Sanstha is a charitable trust registered under the Maharashtra Public Trusts Act, 1950 and approved under section 12AA of the Income Tax Act, 1961. The trust acts as an implementing agency for the "One Stop Crisis Centre Scheme" funded by the Ministry of Women and Child Development, Government of India, through the Government of Maharashtra. Under this scheme, the trust provides shelter, food, medical assistance, counselling and legal aid to destitute women, survivors of violence and orphaned or homeless children. The trust receives reimbursement-based Government grants of up to ₹2,00,000 per month against certified operational expenses incurred for the scheme.

Questions Before AAR

(a) Whether the applicant is required to obtain registration under the Goods and Services Tax Act, 2017?

(b) Whether the receipt of per-capita grants-in-aid from the State Government for managing welfare shelter homes constitutes a taxable "consideration" for a "supply of service" under the tenets of GST law?

(c) What is the appropriate service accounting code (SAC) classification and the consequential rate of tax applicable to such government grants if the transactions are held to be taxable?

Decision and Reasoning

The adjudication of this case reflects a sharp jurisprudential divergence between the literal statutory interpretation of the Advance Ruling Authority (AAR) and the purposive, constitutional interpretation of the Appellate Authority (AAAR).

I. The Authority for Advance Ruling (AAR) Order (Dated 10.11.2021)

The AAR ruled strictly against the applicant trust, establishing a highly restrictive precedent:

- ***Strict Application of the Component-Matching Test:*** The AAR emphasized that section 12AA status under direct tax law does not create an automatic pass under the GST regime. Exemption is strictly conditional upon matching the exhaustive categories enumerated under clause 2(r) of Notification No. 12/2017-Central Tax (Rate).

- ***Dilution of Exemption via Mixed Activities:*** The Bench observed that while clause 2(r)(iii) specifically exempts the advancement of educational/skill programs for abandoned, orphaned or homeless children, it does not explicitly encapsulate integrated social defence, legal aid, and rehabilitation services for adult destitute women. Consequently, the composite nature of the services fell outside the narrow exemption window.

- ***Grants Recharacterized as Commercial Consideration:*** The AAR rejected the defence that the receipts were non-taxable donations. It held that the triad of a taxable supply was present: a service provider (the trust), a consumer (the State Government) and a direct *quid pro quo* linkage (the per-capita monthly payout). The activity was deemed a taxable service executed in the course or furtherance of "business" under section 2(17) of the CGST Act, taxable at 18 per cent.

II. Reversal by the Appellate Authority for Advance Ruling (AAAR) (Dated 21.09.2022)

On appeal, the Maharashtra AAAR set aside and reversed the AAR's order in its entirety, correcting the legal positioning as under :

- ***Absence of the 'Business' Element:*** The AAAR held that to invoke the taxing statute under section 7(1)(a) of the CGST Act, the activity must possess a commercial character. A charitable trust executing sovereign welfare obligations of the State without an underlying profit motive, commercial risk, or market competition cannot be construed as conducting a "business."
- ***Breakdown of the Quid Pro Quo Framework:*** The Appellate Bench clarified that the State Government acts purely as a socio-economic facilitator, not a commercial consumer of services. Because no direct, reciprocal benefit or advantage flows back to the Government, the funds are welfare disbursements and *do not constitute "consideration"* under section 2(31).
- ***Pure Cost-Reimbursement Mechanics:*** The AAAR verified that the grants were strictly consumed for the actual sustenance of the inmates without any profit markup, rendering them non-taxable cost reimbursements.

Significance & Professional Takeaway

This AAR's ruling highlights the Revenue Department's hyper-literal approach to the "component-matching test" under GST, proving that an income tax registration under section 12AA/12AB provides no blanket immunity. It serves as a warning that intermingling strictly exempt activities (like caring for orphans) with non-specified social causes (like legal aid for adult destitute women) can disqualify an entire revenue stream from exemption under Notification No. 12/2017-Central Tax (Rate).

Furthermore, by treating per-capita Government grants as a commercial *quid pro quo* consideration, the ruling underscores a critical structural risk for the non-profit sector:

- ***The Corporate Lens:*** The tax administration will readily view sovereign social welfare schemes through a commercial vendor-client lens if the funding mechanics resemble unit-rate pricing.

- ***Drafting Defense:*** To mitigate ground-level tax assessments, NGOs must ensure that their MoUs and grant agreements are strictly worded as *welfare fund allocations for cost-reimbursement,* carefully avoiding commercial service-level agreement (SLA) or vendor-style terminology.

Practitioner Note

While this specific AAR order reflects a highly aggressive tax approach, its subsequent overturn by the Appellate Authority (AAAR) confirms that pure, non-business sovereign welfare implementations should ultimately remain protected from the GST net.

3.2.4. Ecosan Services Foundation [AAR, Maharashtra]

[Order No GST-ARA- 70/2018-19/B-163 Mumbai dated 19.12.2018].

Facts

Ecosan Services Foundation is a non-profit entity registered under section 12AA of the Income Tax Act, 1961, and incorporated as a section 8 company under the Companies Act, 2013. It operates in the water, sanitation, and hygiene (WASH) sector, undertaking ecological sanitation projects, wastewater management, environmental conservation initiatives, public awareness campaigns, and research activities. The organization’s operations are primarily funded through grants and donations received from institutional donors and non-profit agencies for implementation of sustainable sanitation and environmental welfare programs.

Key Issues Before AAR

(a) Whether the project grants and donations received by a registered section 12AA entity for executing specific sanitation, wastewater management, and environmental projects amount to "consideration" for a "supply of services"?

(b) Whether these activities qualify for exemption from GST under the umbrella of "charitable activities" as defined under the law?

Contended Positions

- ***Revenue Department's Stance:*** The Department argued that standard sanitation, plumbing and wastewater drainage management are commercial, civic engineering activities. Such operations do not fit into the orthodox, restrictive categories of "charitable activities" specified under the GST exemption rules, and should therefore attract a standard GST levy.

- ***Applicant's Counter-Stance:*** The Foundation argued that its specialized ecological sanitation (Ecosan) solutions—such as waste recycling, water conservation, pollution prevention at the source and groundwater table preservation—extend far beyond commercial contracting. They directly fulfil the statutory intent of environmental preservation.

Decision and Reasoning

The Maharashtra AAR ruled in favour of the applicant, building a progressive link between environmental engineering and tax immunity:

- ***Validation of Statutory Thresholds:*** The AAR confirmed that the applicant successfully met the threshold prerequisite, holding a valid registration under section 12AA of the Income Tax Act.

- ***Sanitation as Environmental Preservation:*** The Bench rejected the Department’s narrow interpretation and held that ecological sanitation systems designed to systematically reuse waste and prevent toxic loads from leaching into local aquifers directly contribute to the "preservation of environment including watershed, forests and wildlife" under clause 2(r)(iv) of Notification No. 12/2017-Central Tax (Rate).

- ***Exempt Treatment of Funding:*** The AAR held that although the project execution mathematically amounts to a supply of services, the grants and donations received specifically to bankroll these environmental preservation operations are covered under the exemption. Accordingly, no GST is payable under Sl. No. 1 of Notification No. 12/2017-Central Tax (Rate).

Significance & Professional Takeaway

This 2018 ruling provides an essential operational precedent for tax professionals advising section 8 companies, environmental consultancies and NGOs handling WASH portfolios:

- ***The Activity-Over-Form Principle:*** The ruling highlights that "environmental preservation" under GST is a dynamic, actionable term. It is not confined to passive forest conservation; active engineering programs that check pollution, recycle waste, and structurally protect regional watersheds are legally recognized as tax-exempt charitable activities.

- ***Drafting Defence for Grant Portfolios:*** When drafting the memoranda of understanding (MoUs) or grant allocation letters for environmental projects, the non-profit institutions must ensure the documentation focuses heavily on the *ecological, watershed-protection, and pollution-prevention metrics* of the project rather than standard commercial procurement or plumbing language. This safeguards the fund inflows from being misclassified as a taxable commercial service contract.

3.2.5 Srimad Rajchandra Adhyatmik Satsang Sadhana Kendra [AAR, Maharashtra]

[Order No GST-ARA-41/2017-18/B-48 dated 14.06.2018 and AAAR, Maharashtra order no MAH/AAAR/SS-RJ/14/2018-19].

Facts

The appellant, Shrimad Rajchandra Adhyatmik Satsang Sadhana Kendra, is a public charitable and religious trust registered under the Bombay Public Trusts Act, 1950, and also holds registration under section 12AA of the Income Tax Act, 1961. The trust is primarily engaged in the promotion of religion, spirituality and yoga through satsangs, meditation shibirs, religious discourses and dissemination of the teachings of the Jain religion and Param Krupalu Dev Shrimad Rajchandra. In addition to receiving voluntary donations, the trust operates a “Divine Shop” for the sale of spiritual and religious materials such as books, CDs, DVDs, pamphlets, diaries, and statues of Tirthankars. The amounts collected are mainly towards recovery of operational and production costs and any surplus generated is utilized solely for furtherance of the trust’s religious and charitable activities.

Questions Before AAR / AAAR

(a) Whether a public charitable trust, formed with the primary object of advancing religion, spirituality, or yoga, falls within the definition of "business" under section 2(17) of the CGST Act, 2017?

(b) Whether the trade and sale of spiritual products (books, audio, statues) can be characterized as a taxable "supply" under section 7 of the CGST Act, 2017, when such sales are purely incidental and ancillary to the main non-profit objective?

(c) Whether the trust is legally mandated to obtain registration under section 22 of the CGST Act, 2017, and corresponding state GST laws?

Contended Positions

- ***Applicant's Stance:*** The trust contended that its primary intent is purely spiritual and evolutionary, devoid of any commercial profit motive or trade "adventure." They argued that selling books and CDs is merely a medium to propagate religious philosophies, not a commercial trade. Therefore, it does not constitute a "business" and should remain outside the scope of GST.

- ***Revenue Department's Stance*:** The Department argued that the absence of a profit motive is irrelevant under GST law. The sale of tangible goods (books, media, statues) in exchange for financial consideration exhibits all the characteristics of trade, rendering the incidental commercial operations fully taxable.

Decision and Reasoning

Both the Authority for Advance Ruling (AAR) and the Appellate Authority for Advance Ruling (AAAR) ruled decisively against the applicant trust, establishing a strict boundary between religious services and commercial sales:

- ***Sovereignty of Section 2(17) - 'Business' Definition:*** The AAAR observed that the statutory definition of "business" under the CGST Act is incredibly broad. Under section 2(17)(b), business explicitly includes *"any activity or transaction in connection with or incidental or ancillary to"* trade or commerce, *whether or not there is a profit motive.*

- ***The Legislative Intent to Tax Goods:*** The Appellate Bench clarified that while specific notifications (Notification No. 12/2017-Central Tax (Rate)) explicitly exempt certain services provided by charitable trusts (like conducting yoga camps or religious functions), there is no parallel blanket exemption for the supply of *goods* by a trust. The Legislature intentionally chose to tax commercial trade executed under a charitable banner.

- ***Incidental Trade Recharacterized as Supply:*** The AAAR held that selling spiritual items to devotees creates a classic buyer-seller relationship. Because these items are sold for a price, the transaction satisfies the criteria of a taxable "supply of goods" under section 7.

- ***Mandatory Registration***: Because the sale of spiritual products constitutes a taxable supply, the trust was held legally liable to obtain GST registration once its aggregate turnover from these commercial sales crossed the statutory threshold limit.

Significance & Professional Takeaway

This ruling establishes that a charitable or religious intent provides no blanket immunity against GST when an institution engages in commercial trade. By affirming that the definition of "business" under section 2(17) operates independently of a profit motive, the Bench clarified that while spiritual services (like retreats or discourses) are exempt, the sale of tangible goods (like books, media, and statues) is fully taxable.

For tax practitioners, this creates an absolute compliance boundary: religious and charitable institutions must completely segregate their spiritual operations from their commercial footprints. Any retail or publication wing must maintain separate books of accounts, obtain regular GST registration, and ensure outward tax compliance once statutory turnover thresholds are crossed.

3.2.6 M/s Children of the World India Trust- [AAR, Maharashtra]

Order No GST-ARA-15/2019-20/B-110 Mumbai dated 04.10.2019.

Facts

Children of the World (India) Trust is a public charitable trust registered under the Maharashtra Public Trusts Act, 1950, and is also registered under section 12AA of the Income Tax Act, 1961. The trust operates as a recognized Specialized Adoption Agency (SAA) accredited by the Government of Maharashtra and the Central Adoption Resource Authority (CARA), Ministry of Women & Child Development, Government of India. It manages child care centres dedicated to the rehabilitation, protection, and domestic/inter-country adoption of abandoned, orphaned, and underprivileged children. In addition to voluntary donations, the trust collects regulated adoption fees from prospective adoptive parents (PAPs) in accordance with regulation 46 of the Adoption Regulations, 2017. The amounts collected are utilized exclusively towards institutional child care, medical expenses, legal documentation, and related welfare activities for the children under its care.

Questions Before AAR

(a) Whether the institutional child care, rehabilitation and statutory child placement activities conducted by an authorized Specialized Adoption Agency qualify as "charitable activities" under the GST regime?

(b) Whether the receipt of statutory adoption fees paid under regulation 46 of the *Adoption Regulations, 2017* by prospective adoptive parents constitutes a taxable "consideration" for a "supply of service" or is exempt under Notification No. 12/2017-Central Tax (Rate)?

Contended Positions

- ***Revenue Department's Stance:*** The Department initially took a standard contractual view, arguing that the transaction involved a clear service loop—the agency facilitates a complex legal/custodial transfer process for which it charges a fixed monetary fee. Since "adoption services" are not explicitly named textually under the exemption entry, the fees should attract a standard 18 per cent GST.

- ***Applicant's Counter-Stance:*** *The* trust contended that children cannot be legally or ethically categorized as "goods," and an adoption process under the Juvenile Justice Act cannot be equated to a commercial service or business "adventure." The statutory fee is merely a regulatory reimbursement designed to sustain the child until adoption, falling squarely under public welfare

Decision and Reasoning

The Maharashtra AAR ruled completely in favour of the applicant trust, providing a compassionate and precise reading of the statutory exemptions:

- ***Perfect Mapping with Clause 2(r):*** The AAR highlighted that under Sl. No. 1 of Notification No. 12/2017-Central Tax (Rate), services provided by an entity registered under section 12AA are exempt if they fall under the definition of "charitable activities." The Bench observed that the trust's activities perfectly align with clause 2(r)(iii)(A), which explicitly covers *"advancement of educational programmes or skill development relating to abandoned, orphaned or homeless children."* The shelter, primary care and societal reintegration of these minors form the core of this provision.

- ***Non-Commercial Nature of Statutory Fees:*** The AAR emphasized that adoption in India is heavily regulated by law to explicitly *prevent* child trafficking and commercial exploitation. The fixed fees paid by prospective parents under CARA guidelines are not market-driven commercial consideration for an option or service. Rather, they represent structured cost-recoveries toward institutional child maintenance.
- ***Exemption Granted:*** The Bench concluded that since the primary operations fall completely under the umbrella of specified charitable activities, the adoption fees received by the trust from PAPs are *wholly exempt from the levy of GST*.

Significance and Professional Takeaway

This ruling is a significant precedent for child welfare and adoption agencies under GST. It establishes that children under statutory care cannot be treated as "goods" and that adoption-related fees collected under CARA regulations are not commercial consideration for taxable services.

The ruling also confirms that activities relating to rehabilitation, care, education, and adoption of abandoned or orphaned children must be viewed holistically as child welfare functions rather than segregated into taxable components.

From a compliance perspective, non-profit institutions should ensure that all receipts and fees are properly linked to statutory regulations and welfare objectives to demonstrate that they are regulatory cost-recovery charges and not commercial service fees under GST.

3.2.7. Nagri Eye Research Foundation [AAR, Gujarat]

(Order No GUJ/GAAR/R/08/2020 dated 19.05.2020.)

Facts

Nagri Eye Research Foundation is a public charitable trust registered under section 12AA of the Income Tax Act, 1961, with objectives focused on ophthalmic research, prevention of blindness, and support for educational and charitable activities in eye care. In furtherance of its charitable objectives and to assist patients of C.H. Nagri Municipal Hospital, the trust operates a medical store within the hospital premises. The store supplies medicines to both indoor and outdoor patients at highly subsidized rates compared to prevailing market prices. Any incidental surplus generated is utilized solely towards administrative expenses and emergency medical requirements of the trust, without any profit-oriented motive.

Questions Before AAR

(a) Whether a registered charitable trust is legally required to obtain GST registration for operating a medical store that distributes medicines on a non-profit basis?

(b) Whether the activity of a medical store providing essential medicines at a lower, subsidized price to patients amounts to a taxable "supply of goods" under the statutory framework of GST?

Contended Positions

- ***Applicant's Stance:*** The trust contended that its medical store operates purely as an extension of its humanitarian objectives. Since the pharmacy sells medicines below market rates without a profit orientation, it cannot be categorized as an "adventure in the nature of trade, commerce, or manufacture." Consequently, they argued it does not constitute a "business" under section 2(17) and should remain outside the ambit of GST.

- ***Revenue Department's Stance:*** The Department argued that the supply of medicines constitutes a trade of tangible commodities for economic consideration. Under the CGST Act, 2017, the presence or absence of a profit motive does not impact the taxability of a transactional exchange of goods.

Decision and Reasoning

The Gujarat AAR ruled against the applicant trust, laying down a strict interpretation of commercial footprints under indirect tax laws :

- ***Irrelevance of the Profit Motive:*** The AAR heavily relied on the statutory definition of **"***business" under section 2(17) of the CGST Act.* The clause explicitly states that business includes any trade, commerce, manufacture, profession, or vocational activity, "whether or not there is volume, frequency, continuity or financial benefit." Therefore, operating a non-profit model does not immunize the activity.

- ***Medicines Treated as a Taxable 'Supply of Goods'*****:** The Bench observed that selling medicines to patients at a subsidized counter price establishes a clear buyer-seller loop. The discounted price remains a legal "consideration" under section 2(31), making the transaction a taxable *supply of goods* under section 7.

- ***Mandatory Registration:*** Because the sale of medicines forms a taxable supply stream, the AAR ruled that the trust is legally required to obtain a regular GST registration under section 22(1) of the CGST Act if its total aggregate turnover (inclusive of pharmacy sales) surpasses the prescribed statutory threshold limit.

Significance & Professional Takeaway

This ruling draws a clear distinction between charitable activities and commercial sale transactions under GST. It emphasizes that even if the ultimate objective is charitable, the sale of medicines or medical goods through a pharmacy constitutes a taxable supply when carried out in a commercial manner.

The decision further clarifies that supplying goods at subsidized or concessional rates does not alter the nature of the transaction from a “sale” to a charitable activity.

From a compliance perspective, charitable hospitals and trusts operating in-house pharmacies or medical stores must maintain separate accounting and GST compliance for such retail activities, including registration, invoicing and filing of GST returns, irrespective of their section 12AA/12AB status under the Income Tax Act.

3.2.8. Swayam [AAR, West Bengal]

[Order No 03/WBAAR/2020-21 dated 29.06.2020].

Facts

Swayam is a public charitable trust registered under section 12A of the Income Tax Act, 1961. The trust works for the rehabilitation and support of women and children affected by sexual abuse, domestic violence, and social oppression. Its activities include providing free legal aid, psychological counselling, emergency medical assistance, and vocational skill development programmes for survivors. The trust operates entirely on a non-commercial basis and does not charge beneficiaries for its services. Financially, it follows a reimbursement and disbursement model whereby expenses relating to legal proceedings, medical treatment, psychiatric care and other professional support services are directly paid or reimbursed by the trust on behalf of the survivors as part of its charitable rehabilitation activities.

Questions Before AAR

(a) Whether the free facilitation services, legal support and rehabilitation counselling provided by the trust to women survivors constitute a taxable "supply of service" under section 7(1) of the CGST Act, 2017?

(b) Whether the trust is legally liable to pay GST under the reverse charge mechanism (RCM) on payments made to external professionals (e.g., advocates, medical practitioners, trainers) when it covers or reimburses those fees on behalf of the survivors?

Contended Positions

- ***Applicant's Stance:*** The trust argued that since it charges zero fees to survivors, there is a total absence of "consideration," which means its facilitation work cannot be classified as a supply. Furthermore, on the RCM issue, they contended that the true "recipients" of the external medical and legal services are the individual women survivors themselves and not the trust. The trust merely acts as a financial benefactor/reimbursing vehicle, meaning RCM liability cannot be legally imposed on the NGO.

Decision and Reasoning

The West Bengal AAR ruled completely in favour of the applicant trust, defining clear boundaries on RCM and consideration:

- ***Absence of Supply via Zero Consideration:*** The AAR confirmed that under section 7(1)(a) of the CGST Act, consideration is an essential component of a taxable supply. Because the trust provides all infrastructure, counselling, and facilitation to survivors completely free of cost, the transaction remains outside the definition of a "supply of service."

- ***The True Recipient Test under Section 2(93):*** The bench carefully evaluated who constitutes the "recipient" of the external professional services. Under GST law, the recipient is typically the person liable to pay the consideration. However, the AAR observed that the actual professional services (legal representation in court, psychiatric therapy, medical treatments) are structurally consumed by and directed toward the individual survivor women.

- ***Reimbursements do not Trigger RCM:*** The AAR held that the trust's financial intervention is strictly a welfare-based cost reimbursement to support the beneficiary. Because the trust is not the consumer/recipient of the legal or medical services, it cannot be deemed to be a recipient under RCM provisions. Consequently, the trust has *no liability to pay GST on a reverse charge basis* for these external professional fee payments.

Significance & Professional Takeaway

Non-profit organizations providing free rehabilitation and welfare services should ensure that such activities are structured without any element of consideration to remain outside the scope of "supply" under GST. Further, where trusts merely reimburse or directly bear legal, medical, or counselling expenses for beneficiaries, proper documentation should be maintained to establish that the actual recipient of the services is the beneficiary and not the trust, thereby mitigating exposure to GST liability under the reverse charge mechanism (RCM).

3.2.9. KLN Sourashtra College of Engineering Council [AAR, Tamil Nadu]

(Order No. TN/40/ARA/22025 dated 25.09.2025.)

Facts:

KLN Sourashtra College of Engineering Council is a registered society/charitable trust managing educational institutions, including K.L.N. College of Engineering and enjoys tax-exempt status under the Income Tax Act, 1961. Apart from educational activities, the Council also operates hostel and catering facilities for students. Owing to excess hostel capacity, the applicant entered into an arrangement with another independent charitable educational institution lacking hostel facilities for its girl students. Under the agreement, the applicant provided accommodation and food services to the students of the guest college, while invoices and consolidated charges were raised exclusively on the management of the guest college. There was no direct contractual or financial relationship between the applicant and the individual students.

Questions Before AAR

(a) Whether hostel accommodation facilities run by charitable trusts for poor and middle-class students qualify for GST exemption?

(b) Whether an arrangement where one charitable educational institution provides hostel accommodation and food services to the students of another separate charitable institution under a direct inter-college contract, is exempt from GST?

(c) What are the applicable rates of GST if such inter-college accommodation and food supplies are held to be taxable?

Contended Positions

- ***Applicant's Stance:*** The Council argued that since both entities are non-profit, charitable educational institutions, the core character of the supply remains educational and residential welfare. They contended that the services should be covered under the liberalized hostel exemptions (e.g., Sl. No. 12A of Notification No. 12/2017) or treated as an exempt educational auxiliary supply.

- ***Revenue Department's Stance:*** The Department contended that the specific GST exemptions for educational and residential hostel services are highly restrictive and entity-specific. An institutional contract to rent out space and sell commercial catering to a third-party corporate entity or separate college strips the transaction of its domestic "residential hostel" status, turning it into a taxable commercial lease and catering arrangement.

Decision and Reasoning

The Tamil Nadu AAR ruled partly in favour of the general principle but strictly against the specific inter-college arrangement:

- ***Conditional Immunity for In-House Hostels:*** In response to the general queries, the AAR affirmed that hostel accommodation run by charitable trusts *for their own enrolled students* can claim exemption under Sl. No. 12A of Notification No. 12/2017-Central Tax (Rate), provided they strictly meet all the baseline guidelines (such as catering to poor/middle-class categories within standard statutory thresholds).

- ***Inter-College Contract as a Taxable Commercial Supply:*** The Bench drew a strict line regarding the B2B cross-college contract. It held that renting out property or providing hostel infrastructure to another independent organization is classified as a service of *renting of immovable property*. Because the legal and financial privity of contract exists strictly between two corporate councils (not between the provider and the resident students), it does not satisfy the criteria of an exempt end-user residential hostel stay.

- ***Taxability of Catering Services:*** Similarly, the supply of food cooked and delivered by the applicant to the students of another institution under a bulk corporate billing model does not qualify as an exempt internal mess supply. It operates as a commercial outdoor/institutional catering service.

Ruling

The AAR held that both the cross-institution hostel accommodation charges and the associated food supply charges are fully taxable under GST at their respective applicable standard commercial rates.

Significance

This ruling highlight that under GST, the nature of a transaction is determined by the contractual recipient and billing structure rather than the ultimate end-user of the service. Accordingly, hostel and catering services supplied under a B2B arrangement between two separate educational institutions may lose the benefit of educational exemption, even if the actual beneficiaries are students.

Educational trusts and institutions should therefore carefully structure inter-institutional accommodation arrangements. To preserve exemption benefits, agreements, billing, and collection mechanisms should ideally be established directly with individual students rather than through consolidated institutional contracts between separate entities.

3.2.10. Students' Welfare Association [AAR, Maharashtra]

(Order No. GST-ARA- 55/2018-19/B- 170 Mumbai dated 29.12.2018.)

Facts

Students' Welfare Association is a public charitable trust registered under section 12AA and section 80G of the Income Tax Act, 1961. The trust operates student hostels in Pune for economically weaker and marginalized students, providing lodging, boarding, library, and skill development facilities. Its activities are conducted on a non-commercial basis through public donations and nominal hostel fees, while vacant rooms are occasionally rented during vacation periods for short-term stays.

Questions Before AAR

(a) Whether the bundled lodging, boarding and personal development services provided by a registered section 12AA trust to underprivileged students qualify for GST exemption as a "charitable activity" under *Sl. No. 1 of Notification No. 12/2017-Central Tax (Rate)?*

(b) Whether the low-cost hostel accommodation services fall within the protective ambit of *Sl. No. 14 of Notification No. 12/2017-Central Tax (Rate),* which exempts residential/lodging services having a declared tariff below ₹1,000 per day?

(c) Whether the tax treatment or exemption eligibility changes if the hostel rooms are temporarily rented out during vacations to a commercial organization to house its labourers?

(d) Whether the large voluntary donations received from public benefactors to bridge the operational deficit are taxable as a consideration for an implied service?

Contended Positions

- ***Applicant's Stance*:** The trust contended that its operations form an integrated, non-severable composite supply where the principal intent is charitable education and youth development. Because the daily per-capita fee is a nominal ₹60 (far below the ₹1,000 threshold), the receipts should be entirely exempt. They argued that short-term vacation usage by labourers does not alter the underlying residential character of the immovable property.

- ***Revenue Department's Stance:*** The Department argued that running a student hostel, regardless of the trust's non-profit intent or low pricing, does not fit textually into the narrow definition of "charitable activities" under clause 2(r). Therefore, it must be evaluated under standard commercial hospitality and accommodation entry parameters.

Decision and Reasoning

The Maharashtra AAR structured its ruling on the strict boundaries of specific exemption entries rather than generic charitable characters:

- ***Hostels Fail the Strict 'Charitable Activity' Test:*** The AAR held that providing hostel accommodation and food to students does not map to any of the four specific quadrants of "charitable activities" defined under clause 2(r) of Notification No. 12/2017. Following the Tax Research Unit's Circular No. 32/06/2018-GST, the bench ruled that section 12AA status cannot be used to bypass the precise text of the exemption notification. Thus, exemption under Sl. No. 1 was denied.
- ***Exemption Sustained under the Tariff Threshold (Sl. No. 14):*** In a major relief to the applicant, the AAR observed that the distinction between commercial hotels and student hostels is eliminated under Sl. No. 14 of the notification. Since the trust charges a nominal lump-sum fee that mathematically translates to less than *₹1,000 per day per unit,* the supply of residential and lodging services is *wholly exempt from GST*.
- ***End-User Identity is Irrelevant for Residential Stays:*** Addressing the vacation rental of rooms to corporate labourers, the AAR ruled that if the property is structurally used for residential or lodging purposes, the specific identity of the occupant (student vs. commercial labourer) is immaterial. As long as the charges remain below ₹1,000 per day, the exemption under Sl. No. 14 stands intact.
- ***Treatment of Donations:*** Pure, unconditional donations received from the public to meet the trust's structural deficit without any reciprocal commercial benefit or branding do not amount to a consideration for a supply and are out of the GST net.

Professional Takeaway

This ruling highlights that charitable trusts operating hostels or boarding facilities should evaluate GST exemptions not only under "charitable activities" but also under other specific exemption entries applicable to residential accommodation services.

Practitioners should also note the post-18 July 2022 changes, whereby the earlier low-tariff accommodation exemption was withdrawn. Accordingly, charitable hostels not directly operated by educational institutions for their own students may face increased GST exposure unless the arrangement qualifies as long-term residential accommodation.

3.2.11. Terna Public Charitable Trust [AAR, Maharashtra]

(Order No. GST-ARA- 135/2018-19/B- 55 Mumbai dated 21.05.2019.)

Facts

Terna Public Charitable Trust is a public charitable trust registered under the Maharashtra Public Trusts Act, 1950, and also registered under section 12AA of the Income Tax Act, 1961. The trust operates multi-specialty healthcare institutions, including Terna Speciality Hospital & Research Centre at Navi Mumbai, providing medical treatment to both indoor and outdoor patients. The hospital collects charges towards room rent, medical treatment, surgeries, doctors' consultations and dietary food supplied under medical supervision. It also operates an in-house pharmacy supplying medicines, implants, consumables and surgical items to patients.

Questions Before AAR

(a) Whether the supply of medicines, implants, surgical consumables, dietary food and room rentals provided by a trust-owned hospital to in-patients (IPD) forms a part of an exempt "composite supply" of healthcare services under GST?

(b) Whether the over-the-counter supply of medicines, implants, and medical consumables through the hospital-owned pharmacy to out-patients (OPD) qualifies as an exempt healthcare service or is treated as a taxable retail sale of goods?

Contended Positions

- ***Applicant's Stance:*** The trust contended that a patient gets admitted to a hospital to receive holistic healthcare treatment, not to buy drugs or rent hotel rooms. Therefore, the drugs, medical devices, room lodging and patient food are integral, non-severable elements naturally bundled into the core service of medical healing. They argued that both IPD and OPD pharmacy sales should be tax-exempt under Sl. No. 74 of Notification No. 12/2017-Central Tax (Rate) as medical care.

- ***Revenue Department's Stance*:** The Department argued that while pure medical diagnosis and treatment are exempt healthcare services, a retail pharmacy operation behaves exactly like any market trade. It contended that individual line items, especially over-the-counter OPD medicine sales that do not involve hospital admission, must be isolated and taxed at their respective standard HSN/GST rates.

Decision and Reasoning

The Maharashtra AAR balanced its decision by applying the classic principles of *composite supplies* under section 2(30) of the CGST Act, splitting the tax treatment between IPD and OPD models:

- ***IPD as an Exempt Composite Supply:*** The AAR ruled entirely in favour of the trust regarding admitted in-patients. It held that when a patient is admitted, the primary expectation is to receive a comprehensive medical cure. The boarding, lodging, diagnostic testing and provision of specialized medicines/implants are naturally bundled in the ordinary course of business. The *principal supply* is the healthcare service. Since healthcare services are exempt under *Sl. No. 74 of Notification No. 12/2017,* the entire bundled IPD package (inclusive of room charges, dietary food, and implants) is *wholly exempt from GST*.
- ***OPD Pharmacy Sales Treated as Taxable Retail Trade:*** The Bench took an unyielding view against the pharmacy's out-patient transactions. The AAR observed that an out-patient visits the clinic for a consultation, but when they step into the pharmacy to buy drugs, that transaction gets converted into a simple, standalone contract for the ***sale of goods.*** There is no hospital stay or integrated medical monitoring linking the goods to an institutional stay.

Ruling

The AAR held that the sale of medicines, surgical consumables and implants to out-patients (OPD) does not form part of a composite healthcare supply. It is a distinct, standalone *supply of goods* and is *fully taxable* at the applicable retail GST rates.

Professional Takeaway

Hospitals and charitable healthcare trusts should maintain a clear distinction between inpatient (IPD) and outpatient (OPD) supplies for GST purposes. Medicines, implants, consumables and dietary services provided as part of inpatient treatment qualify as exempt composite healthcare services, whereas pharmacy sales to outpatients constitute taxable supplies.

Accordingly, billing and ERP systems should be properly structured to separately identify exempt and taxable transactions.

3.3. High Court Jurisprudence — Emerging Trends

3.3.1 Hostel Accommodation — Madras High Court Position

Prior to the 53rd GST Council's insertion of Entry 12A, the Madras High Court had considered whether hostel accommodation by charitable institutions could qualify as 'residential dwelling' supply exempt under the pre-existing provisions. The court examined the factual distinction between:

- Pure residential accommodation (no institutional attachment) — eligible for residential dwelling exemption
- Hostel accommodation with institutional facilities (mess, warden, study rooms) — characterised differently

The 53rd GST Council's insertion of Entry 12A (effective 15.07.2024 with retrospective regularisation) effectively resolves this uncertainty by creating a specific exemption for hostel accommodation up to Rs. 20,000 per month for stays of 90+ days.

3.3.2 High Courts on RCM — Obligation Upheld Firmly

Multiple High Courts have consistently held that RCM obligations apply to charitable trusts without exception. Key judicial prepositions:

- Courts have upheld interest and penalty levies on trusts that failed to remit RCM on legal services, GTA services and security services from unregistered vendors.
- The argument that a trust is 'purely charitable' and therefore outside the GST framework has been rejected where the trust procures notified services from unregistered suppliers.
- Courts have emphasised that the obligation to register for RCM purposes is triggered by the nature of the inward supply and not by the trust's outward activity character.

- Interest at 18 per cent p.a. has been imposed from the due date of RCM payment in multiple cases — confirming that RCM is a hard cash payment obligation, not deferrable

3.3.3 Government Grants — Judicial Scrutiny of Performance Linkage

Courts are increasingly scrutinising performance-linked Government grants received by trusts:

- Unconditional Government grants — not tied to specific outputs — fall outside the ambit of supply and are not subject to GST
- Grants linked to per-beneficiary outcomes, vaccination counts, enrolment numbers, or measurable deliverables are being examined as potential consideration for supply
- The designation of a transfer as a 'grant' in the Government order is not conclusive — courts examine the substance of the arrangement
- GST authorities have begun issuing notices to NGOs receiving large Government grants without GST compliance — this is an emerging audit trigger

3.3.4 Trust Deed Enabling Clauses — Risk Highlighted

Following the AAAR Maharashtra ruling in *Shrimad Rajchandra Adhyatmik Satsang Sadhna Kendra,* tax authorities have begun examining trust deeds more closely. Standard enabling clauses in trust deeds — permitting the trust to buy, sell or lease property; enter into contracts; trade in goods — have been cited as evidence of 'business' capacity under the broad GST definition of section 2(17). Therefore, practitioners are advised to do the following:

- Review existing trust deeds of all client charitable organisations.
- Where trust deeds are being freshly drafted or amended, include express language limiting enabling clauses to activities carried out solely in furtherance of the charitable objects.
- Obtain a legal opinion where trust deed language creates potential GST exposure.

3.3.5 Member Services and the Doctrine of Mutuality — Radical Constitutional Shift

The Division Bench of the **Kerala High Court in *Indian Medical Association (IMA), Kerala State Branch v. Union of India W.A.NO.1659 OF 2024 – HC Kerala*** has redefined the limits of legislative power regarding the taxation of intra-member transactions, altering the landscape for associations, clubs, and professional societies:

- **Striking Down of Deeming Provisions**: The High Court declared the historic amendments introduced via the Finance Act, 2021—specifically Section 7(1)(aa), its accompanying Explanation, and Section 2(17)(e) of the CGST/KGST Act—as completely unconstitutional and void retrospectively.
- **Ordinary Statutes vs. Constitutional Amendments:** The Bench firmly ruled that ordinary legislative enactments cannot override or circumvent established legal doctrines like the Doctrine of Mutuality. If Parliament intends to create a legal fiction that splits a mutual organization and its members into two distinct persons, it cannot achieve this via a statutory "clarification" or "deeming patch" in a Finance Bill; it requires a formal Constitutional Amendment (drawing a direct parallel to the 46th Amendment under the erstwhile sales tax regime).
- **Retrospective Taxation as Confiscatory:** The Court heavily condemned the retroactive imposition dating back to July 1, 2017. Forcing mutual benefit trusts (such as the Indian Medical Association, which operates internal pension and medical security funds through member pooled subscriptions) to pay tax for a past period when they had no foresight of the levy or an opportunity to collect it from members is punitive, confiscatory, and violates the fundamental Rule of Law under Article 14.

Chapter 4

Key Sectoral Considerations

4.1 Educational Institutions Run By Charitable Trusts — Ambit of GST

Many charitable trusts registered under section 12AA/12AB of the Income Tax Act operate educational institutions including pre-schools, schools, colleges, deemed universities and vocational training institutes. These entities may be covered under both Entry 1 (for activities falling under clause 2(r)) and Entry 66 (for educational services specifically). Understanding the interaction and non-overlap between these exemptions is essential.

4.1.1 Definition of 'Educational Institution' — Clause 2(y) of Notification 12/2017

'Educational institution' means an institution providing the following services:

- Pre-school education and education up to higher secondary school or equivalent.
- Education as a part of a curriculum for obtaining a qualification recognised by any law for the time being in force (e.g., degrees, diplomas recognised by UGC, AICTE, NMC, Bar Council, etc.).
- Education as a part of an approved vocational education course (defined separately).

Institutions not meeting this definition — including private coaching centres, tutorial classes and foreign educational institutions — are not 'educational institutions' for GST purposes and cannot claim the exemption under Entry 66.

4.1.2 Services Exempt for Educational Institutions — Entry 66

Entry 66 of Notification 12/2017 exempts the following:

- Services by an educational institution to its own students, faculty and staff — exempt without restriction on the level of education [Clause (a)]

- Entrance exam fees collected by the educational institution — exempt for all levels [Clause (aa)]
- Transportation, catering/mid-day meals and security/cleaning/ housekeeping services provided to the educational institution — restricted to pre-school and up to higher secondary level only [Clause (b)(i), (ii), (iii) Proviso 1]
- Services relating to admission or conduct of examinations to such institution — exempt for all levels of education [Clause (b)(iv)]
- Supply of online educational journals or periodicals — restricted to institutions providing education as defined (Clause (b)(v) Proviso 2]

The following Table shows the position at a glance:

Service	Pre-school / Up to Std XII	College / Degree Institution	Vocational Training Institution
Services to own students, faculty, staff	Exempt	Exempt	Exempt
Entrance examination fees	Exempt	Exempt	Exempt
Transportation of students / faculty	Exempt	NOT Exempt	NOT Exempt
Catering / Mid-day meals	Exempt	NOT Exempt	NOT Exempt
Security / Cleaning / Housekeeping	Exempt	NOT Exempt	NOT Exempt
Services relating to admission / exams	Exempt	Exempt	Exempt
Online educational journals / periodicals	NOT Exempt	Exempt	NOT Exempt

4.1.3 Non-Applicability of Exemption — Specific Cases

The following categories of education-related activities do not qualify for GST exemption:

- Foreign universities or educational institutions not meeting the definition in Clause 2(y).
- Private coaching institutions and tutorial classes imparting coaching for competitive examinations or general subjects (e.g. NEET coaching centres, IIT-JEE tutorials).
- Study materials and coaching manuals sold commercially (applicable GST rate as per HSN applies).
- Standalone hostel facilities not integral to the educational institution's primary activity.

Illustration:

A charitable trust runs a school (Classes I to XII), a degree college (B.Com), and a private IIT-JEE coaching centre. The school and degree college qualify as 'educational institutions'. Services to/by them are exempt under Entry 66. The IIT-JEE coaching centre is not an 'educational institution' as it does not provide a curriculum-based qualification recognised by law. Coaching fees are taxable. The trust must maintain separate accounts for each wing to correctly apply ITC and GST.

4.2 Healthcare Services by Charitable Trusts

Healthcare activities are the second most common activities undertaken by charitable institutions in India. The applicability of GST on healthcare activities requires careful consideration.

4.2.1 Healthcare Services Exempt under GST

Entry 74 of Notification No. 12/2017-CT (Rate) grants GST exemption to healthcare services provided by a clinical establishment, authorised medical practitioner, or paramedics. The exemption is available irrespective of whether the institution is operated on a charitable or commercial basis, thereby covering charitable hospitals, dispensaries, diagnostic centres and health clinics.

The term “clinical establishment” includes hospitals, nursing homes, clinics, sanatoriums, and similar institutions providing diagnosis, treatment, or care for illness, injury, deformity, abnormality, or pregnancy under any recognised system of medicine in India, including diagnostic and investigative facilities.

However, GST exemption is subject to specific conditions relating to room charges. As per the prevailing provisions, GST becomes applicable where room charges (excluding ICU/CCU/ICCU/NICU) exceed the threshold limit of Rs. 5000.

4.2.2 Ambulance Services

Transportation of patients in an ambulance for medical treatment is included within health care services and is thus exempt from GST under Entry 74.

4.2.3 Food Supplied by Hospital

Circular No. 32/06/2018-GST dated 12.02.2018 clarifies that food supplied by a hospital to in-patients as advised by doctors/nutritionists is a part of composite supply of healthcare and not separately taxable. However, food supplied to attendants/visitors by hospital canteens is taxable at applicable rates.

4.2.4 Blood Banks and Organ Donation

Entry 73 of Notification No. 12/2017-Central Tax (Rate) originally exempted services provided by cord blood banks by way of preservation of stem cells and other ancillary services related thereto. Accordingly, charitable trusts engaged in cord blood preservation activities were eligible to claim GST exemption under this entry. However, pursuant to Notification No. 04/2022-Central Tax (Rate), effective from 18 July 2022, the said exemption has been withdrawn, and such services are now taxable at the applicable rate.

4.2.5 Diagnostics Centres

Diagnostic services provided by a laboratory whether attached to a hospital or clinical establishment or providing services independently are part of health care services and exempt under Entry 74 of Notification No 12/2017-Central Tax (Rate).

4.2.6 Supply of medicines and consumables by Hospital Pharmacy

Supply of medicines, implants, consumables and allied items to admitted patients through a hospital pharmacy forms part of a composite healthcare service and qualifies for GST exemption as “healthcare services.” However, medicines supplied through the hospital pharmacy to outpatients (OPD patients) constitute an independent supply of goods and are liable to GST at the applicable rates. This position has been consistently upheld in various Advance Rulings across India.

Illustration

Charitable Hospital: All inpatient healthcare services including medicines, food, nursing care, diagnostics bundled into the IPD package are exempt as composite supply under Entry 74. The hospital's pharmacy selling medicines over the counter to OPD patients and general public is taxable at applicable HSN rates. The hospital canteen serving food to staff and visitors is taxable at 5 per cent GST. The trust must register separately for the pharmacy wing's GST compliance if its turnover exceeds the specified threshold.

4.2.7 GST Treatment of Healthcare — Activity Classification

Healthcare Activity	GST Treatment	Basis
Inpatient (IPD) treatment — medicine, nursing care, diagnostics, food as composite supply	EXEMPT	Entry 74 — healthcare as principal supply
OPD consultation by doctors	EXEMPT	Entry 74 — authorised medical practitioner
Ambulance services (patient transportation)	EXEMPT	Entry 74(b) specifically
Diagnostic services (pathology, radiology) in clinical establishment	EXEMPT	Entry 74 — part of health care services
Pharmacy / medicine store — OPD sales to general public	*[TAXABLE — 5%/18%]	Sale of goods — HSN classification of medicines; not covered by Entry 74
Cosmetic surgery / hair transplant (not related to illness)	TAXABLE — 18%	Not 'health care services' as defined
Food sold by hospital canteen to outpatients / staff	TAXABLE — 5%	Independent supply of restaurant services; not part of IPD composite

/ visitors		supply
Rooms occupied by patient attendants (not patients)	*[TAXABLE — 5%/ Exempt]	Not part of patient care — independent accommodation supply
Mortuary / funeral services by trust	OUTSIDE GST	Schedule III — not a supply

Explanation:

*** Pharmacy / Medical Store – OPD Sales to the General Public**

Hospitals, charitable trusts, and clinical establishments operating an in-house pharmacy or medical store must appropriately classify supplies made to outpatients (OPD) and the general public. Such sales constitute an independent supply of goods and are taxable at the applicable GST rates based on the nature and HSN classification of the products sold.

Generally, curative and therapeutic medicaments falling under Chapter 30 attract 5% GST. However, products such as nutraceuticals, dietary supplements, protein powders, medicated cosmetics, skincare products, sanitizers, disinfectants, non-corrective spectacles, and optical frames ordinarily attract 18% GST, as they are classified as cosmetics, food supplements, or other non-essential goods.

Certain goods continue to enjoy concessional or nil rates of tax. Specified life-saving drugs, contraceptives, sanitary napkins, and human blood and blood components are exempt from GST (Nil rate) subject to their specific HSN classification.

From a compliance perspective, pharmacies must carefully distinguish between a medicament and a nutraceutical or food supplement. Products supplied for the therapeutic treatment of a disease or deficiency generally qualify for the 5% GST rate, whereas products marketed primarily for wellness, nutrition, or general health maintenance are liable to 18% GST.

*** Rooms occupied by patient attendants (not patients):**

The GST treatment of accommodation provided to attendants in hospitals depends primarily on whether the accommodation is bundled with the patient's stay or provided as a separate facility. In many hospitals, private, deluxe or twin-sharing rooms include a couch or companion bed for one attendant as part of the room package. In such cases, the attendant's stay is considered naturally bundled with the patient's accommodation and forms part of a composite supply under Section 2(30) of the CGST Act. Since the principal supply is healthcare services, the accommodation provided to the attendant follows the same GST treatment as the patient's room. Accordingly, where the room rent is up to Rs.5,000 per day, the entire supply remains exempt from GST. However, if the room rent exceeds Rs.5,000 per day, GST at 5% becomes applicable on the room charges.

In contrast, some hospitals provide separate accommodation facilities for attendants or family members, such as guest rooms, dormitories, hostels, or lodging units located within the hospital campus. These facilities are billed independently and are not directly connected to the medical treatment of the patient. As the occupant of such accommodation is not receiving healthcare services, the supply does not qualify as a healthcare service under GST law. Instead, it is treated as a regular accommodation or lodging service and is taxable under SAC Heading 9963- Other Accommodation, food and beverage services. Consequently, GST at the rate of 5% (without ITC) is applicable, if value of accommodation is less than Rs. 7500/- and 18% (with ITC) if value of accommodation is more than Rs. 7500/-.

Therefore, the determining factor is the nature of the supply. If the attendant's accommodation is an integral part of the patient's room and treatment package, it follows the GST treatment applicable to healthcare services. However, if it is provided as a separate lodging facility and billed independently, it is treated as a taxable accommodation service.

4.3 GST on Religious Activities

Religious trusts and institutions occupy a distinct position under the GST framework. While services directly connected with religious or spiritual activities are granted specific exemptions under GST law, commercial or ancillary activities undertaken by such institutions may still attract GST depending upon the nature and structure of the transaction.

4.3.1 Meaning of ‘Religious Place’

For the purposes of Entry 13 of Notification No. 12/2017-Central Tax (Rate), a “religious place” means a place primarily intended for the conduct of prayers, worship, meditation, or spiritual activities relating to a particular religion, as defined under clause 2(zy) of the said notification.

Clause 2(zy): "religious place" means a place which is primarily meant for conduct of prayers or worship pertaining to a religion, meditation, or spirituality

4.3.2 Conduct of Religious Ceremony- Fully Exempt.

Services by any person by way of conduct of any religious ceremony are exempt from GST under Entry 13 of Notification 12/2017-CT(Rate). This exemption is not restricted to section 12AA/12AB registered entities but it applies to all persons including religious trusts.

Religious ceremonies include traditional rituals like poojas, havans, and religious festivals like Navratri celebrated in a purely religious manner, etc. However, where commercial activities are intermingled (like charging entry fees for a concert component, sale of goods, etc.), those commercial components remain taxable.

4.3.3 Renting of Religious Place- Threshold based Exemption

For religious places owned or managed by entities registered under section 12AA/12AB of the Income Tax Act, or by institutions covered under section 10(23C)(v) or section 10(23BBA), GST exemption on renting of precincts of a religious place is available subject to the monetary limits prescribed under Entry 13(b) of Notification No. 12/2017-CT (Rate). The exemption applies only where the consideration charged remains within the specified threshold limits for rooms, halls, shops, or other spaces provided within the religious premises. Following Table sets out the position succinctly:

Type of Premises	Threshold for Exemption	GST if Threshold Exceeded
Rooms (dharamshalas, ashrams etc.)	Charges < ₹1,000 per day	18% on entire amount
Premises/ Kalyana mandapam / Community Halls/ open area	Charges < ₹10,000 per day	18% on entire amount
Shops and commercial spaces for business	Charges < ₹10,000 per month	18% on entire amount

Compliance Alert

Where rents exceed the threshold, GST at 18 per cent applies on the full value and not merely on the excess. This cliff-edge effect means that a marginal excess of the threshold results in full GST liability on the entire transaction.

4.3.4 Yoga Camps, Meditation & Spiritual Programmes.

CBIC Circular No. 66/40/2018-GST dated 26th September 2018 clarified that services provided by an entity registered under section 12AA/12AB for the advancement of religion, spirituality, or yoga are exempt under Entry 1 of Notification 12/2017. This includes residential yoga retreats, spiritual camps, and meditation programmes where boarding and lodging are provided as part of the overall spiritual programme.

The critical test is that the primary purpose of the programme must be advancement of religion, spirituality, or yoga. If the primary purpose is recreation or wellness (without a spiritual or yoga focus), the exemption may not apply.

4.4 Donations, Grants & CSR Funds

4.4.1 Donations- No GST

Voluntary, unconditional donations received by charitable trusts do not constitute 'consideration' for a 'supply' under section 7 of the CGST Act. Accordingly, such donations are entirely outside the scope of GST and are not even included in 'aggregate turnover' for registration threshold computation.

The critical condition is the absence of *quid pro quo* — the donor must not receive any specific, identifiable benefit in return for the donation. The moment a specific benefit is conferred upon the donor in return for the payment, the character of the transaction changes from donation to consideration for supply.

4.4.2 Donor Nameplate/Display of Gratitude

CBIC Circular No. 116/35/2019-GST clarified that the display of a donor's name on a board, wall, or within a publication as a mere expression of gratitude — without the display constituting promotion or advertising of the donor's business — does not convert the donation into a taxable supply. The test is:

- If the display is a mere expression of gratitude (naming a ward, room, or facility after the donor): Not a taxable supply
- If the display constitutes business promotion of the donor (brand logo, business slogan, advertorial): Taxable supply — being consideration for advertising service

Illustration

A trust receives Rs. 50 lakhs from ABC Pharma Ltd. for construction of a hospital ward, which is named 'ABC Pharma Ward' with a nameplate acknowledging the donor. This is an expression of gratitude and does not constitute taxable advertising — no GST is applicable on the donation. However, if the trust additionally places ABC Pharma's brand logo, product range and helpline number on a prominent banner displayed at the hospital entrance — this constitutes advertising services and the portion of payment attributable to this benefit is taxable.

4.4.3 Government Grants

One of the most litigated and misunderstood areas under GST is the taxability of government grants, grants-in-aid, and scheme-based financial assistance received by trusts, NGOs, societies, Section 8 companies, and implementing agencies. The central issue is whether such grants constitute "consideration" for a supply under Section 7 of the CGST Act, 2017.

The guiding judicial principle on this subject emerges from the landmark decision taken by CESTAT, Bangalore Bench in the case of APITCO Ltd. v. Commissioner of Service Tax, Hyderabad 1113-1115/2010 in Appeal Nos. ST/555, 475/2008 & 432/2009, (Jul 22, 2010), wherein the Hon'ble Supreme Court affirmed that grants-in-aid provided for implementation of welfare schemes do not automatically assume the character of taxable consideration. The Honourable Supreme Court, in its order against the appeal filed by the revenue in this case (Civil Appeal No 1752 of 2011) dated 02nd May, 2011, dismissed the appeal while upholding the view taken by the CESTAT bench.

Principle Laid Down in APITCO Case

In the APITCO matter, the assessee was entrusted with implementation of welfare and development schemes sponsored by the Central and State

Governments for weaker and vulnerable sections of society. The organization received grants-in-aid strictly for execution of the schemes and utilized the entire amount towards the designated public welfare activities. No additional remuneration, profit element, consultancy fee, or commercial margin was retained by the assessee.

The Revenue authorities attempted to classify the arrangement as a taxable service on the premise that the Government was the "client" and the implementing agency was rendering services to it. However, the Tribunal, (later affirmed by the Supreme Court), rejected this approach and held that no taxable service existed because there was no "service provider–client" relationship.

The CESTAT clarified an important legal distinction that a person does not become a "service recipient" merely because it provides funds for execution of a project. For a transaction to qualify as a taxable supply, there must exist:

- an identifiable supply
- made to a recipient
- for a consideration
- involving a commercial quid pro quo or reciprocal benefit.

In APITCO, the Governments merely provided financial assistance for implementation of public welfare schemes. They did not receive any independent commercial benefit, deliverable, or proprietary right in return. Therefore, the grants retained the nature of financial support rather than consideration for a taxable service. Accordingly, in the absence of a supply made for consideration, such grants should not be subjected to GST.

4.4.3.1 When Government grant is generally not liable to GST

Government grant would remain outside GST in the following situations:

Situation	GST Position
Grant is given as financial assistance / grant-in-aid	Generally not taxable
Grant is for welfare, public purpose, research, development, public infrastructure or social objective	Not taxable if no identifiable supply to Government
Recipient submits utilisation certificate,	Mere monitoring does not

progress report or audited statement	make it taxable
Grant is budgeted and restricted for specified use	Not taxable by itself
Unutilised grant is refundable to Government	Supports grant character
Recipient does not retain fee, margin, service charge or profit	Supports non-taxability
Government does not receive commercial benefit, property, service, IPR or deliverable in return	Supports absence of supply

4.4.3.2 When Government grant may become taxable

GST applicability arises where the grant is actually consideration for a supply. See the following Table for example:

Situation	GST Implication
Government awards a service contract and terms the payment "grant"	GST applicable
Recipient is required to provide identifiable services to Government	GST applicable
Recipient charges implementation fee / consultancy fee / project management fee	GST applicable
Grant is milestone-linked against deliverables to Government	GST might be applicable
Government receives reports, designs, data, software, IPR or commercial rights	GST may apply depending on facts
Recipient supplies goods / works contract / construction services to Government	Taxability or exemption to be separately examined
Agreement uses vendor/contractor language and tax invoice is raised	GST likely

4.4.4 CSR Expenditure

CSR funding under section 135 of the Companies Act, 2013 has become one of the largest sources of NGO income in India. However, the GST treatment of CSR receipts by charitable trusts remains the most contested and ambiguous area in non-profit GST law.

The applicability of GST for CSR projects undertaken through charitable entities depend primarily upon the nature of arrangement, flow of consideration and whether the charitable entity is merely acting as an implementing agency/trustee of funds or is providing a taxable supply of goods or services to the corporate.

4.4.4.1 CSR Grant as Pure Donation / Grant-in-Aid

Where a corporate contributes funds to a charitable organisation purely as a CSR grant for undertaking approved welfare or charitable activities, GST should generally not apply, provided no identifiable supply is made by the charitable entity to the corporate. In such cases, the charitable organisation acts merely as an implementing agency or trustee for utilisation of funds and not as a service provider.

4.4.4.2 Charitable entity acting as contractor / service provider

Where the charitable entity undertakes the CSR project as a service provider for the corporate, there exists a *quid pro quo* and GST would be applicable on the same. This would typically be the case in the following situations:'

Situation	GST Treatment
Charitable entity raises tax invoice for project execution	GST applicable if supply is taxable
Corporate receives a defined deliverable / service	Consideration exists; GST applicable
Agreement resembles a works contract / service contract	Taxability to be examined as per classification
Charitable entity charges implementation fee / administrative fee / project management fee	GST applicable on such fee
Funds are not merely passed through but are linked to supply obligations	GST might be applicable.

4.4.4.3 Certain examples

CSR Structure	Characterisation	GST Treatment
Pure CSR Grant: No	Donation / Grant	NOT a supply — outside

SOW, no deliverables, no reporting obligation, no branding benefit		GST. No invoice required. Not included in aggregate turnover.
CSR with acknowledgement letter / donor nameplate only	Grant with gratitude expression	NOT a supply as per Circular 116/35/2019-GST dated 11th October 2019 issued on the subject *“Levy of GST on the service of display of name or placing of name plates of the donor in the premises of charitable organisations receiving donation or gifts from individual donors”* — provided display is not business promotion.
CSR with SOW, KPIs, milestone-based disbursement, and progress reporting	Contracted Service	Taxable supply at 18% GST. NGO must raise tax invoice.
CSR with brand visibility, logo placement, event co-branding by corporate donor	Advertising / Marketing Service	Taxable supply as per Circular 116/35/2019-GST dated 11th October 2019 Amount attributable to branding benefit is consideration for advertising service — 18% GST.

Key Takeaway

In the absence of a definitive CBIC circular on CSR funding, trusts must structure CSR arrangements carefully to preserve the 'grant' character and obtain independent legal/CA opinion on each significant CSR transaction. The key determinant is whether the corporate donor receives an identifiable, specific benefit in return for the CSR payment.

Notes

Notes

ISBN : 978-93-47892-26-4

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July | 2026 | P4267 (New)
IDTC-047-0626