

Provisions of the Income Tax Act, 1961 relating to the National Committee for Promotion of Social & Economic Welfare

[Expenditure on eligible projects or schemes.

35AC. (1) Where an assessee incurs any expenditure by way of payment of any sum to a public sector company or a local authority or to an association or institution approved by the National Committee for carrying out any eligible project or scheme, the assessee shall, subject to the provisions of this section, be allowed a deduction of the amount of such expenditure incurred during the previous year :

Provided that a company may, for claiming the deduction under this sub-section, incur expenditure either by way of payment of any sum as aforesaid or directly on the eligible project or scheme.

(2) The deduction under sub-section (1) shall not be allowed unless the assessee furnishes along with his return of income a certificate—

(a) where the payment is to a public sector company or a local authority or an association or institution referred to in sub-section (1), from such public sector company or local authority or, as the case may be, association or institution;

(b) in any other case, from an accountant, as defined in the *Explanation* below sub-section (2) of [section 288](#),

in such form, manner and containing such particulars (including particulars relating to the progress in the work relating to the eligible project or scheme during the previous year) as may be prescribed.

(3) Where a deduction under this section is claimed and allowed for any assessment year in respect of any expenditure referred to in sub-section (1), deduction shall not be allowed in respect of such expenditure under any other provision of this Act for the same or any other assessment year.

[(4) Where an association or institution is approved by the National Committee under sub-section (1), and subsequently—

(i) that Committee is satisfied that the project or the scheme is not being carried on in accordance with all or any of the conditions subject to which approval was granted; or

(ii) such association or institution, to which approval has been granted, has not furnished to the National Committee, after the end of each financial year, a report in such form and setting forth such particulars and within such time as may be prescribed,

the National Committee may, at any time, after giving a reasonable opportunity of showing cause against the proposed withdrawal to the concerned association or institution, withdraw the approval:

Provided that a copy of the order withdrawing the approval shall be forwarded by the National Committee to the Assessing Officer having jurisdiction over the concerned association or institution.

(5) Where any project or scheme has been notified as an eligible project or scheme under clause (b) of the *Explanation*, and subsequently—

(i) the National Committee is satisfied that the project or the scheme is not being carried on in accordance with all or any of the conditions subject to which such project or scheme was notified; or

- (ii) a report in respect of such eligible project or scheme has not been furnished after the end of each financial year, in such form and setting forth such particulars and within such time as may be prescribed,

such notification may be withdrawn in the same manner in which it was issued:

Provided that a reasonable opportunity of showing cause against the proposed withdrawal shall be given by the National Committee to the concerned association, institution, public sector company or local authority, as the case may be:

Provided further that a copy of the notification by which the notification of the eligible project or scheme is withdrawn shall be forwarded to the Assessing Officer having jurisdiction over the concerned association, institution, public sector company or local authority, as the case may be, carrying on such eligible project or scheme.]

[(6) Notwithstanding anything contained in any other provision of this Act, where—

- (i) the approval of the National Committee, granted to an association or institution, is withdrawn under sub-section (4) or the notification in respect of eligible project or scheme is withdrawn in the case of a public sector company or local authority or an association or institution under sub-section (5); or
- (ii) a company has claimed deduction under the proviso to sub-section (1) in respect of any expenditure incurred directly on the eligible project or scheme and the approval for such project or scheme is withdrawn by the National Committee under sub-section (5),

the total amount of the payment received by the public sector company or the local authority or the association or the institution, as the case may be, in respect of which such company or authority or association or institution has furnished a certificate referred to in clause (a) of sub-section (2) or the deduction claimed by a company under the proviso to sub-section (1) shall be deemed to be the income of such company or authority or association or institution, as the case may be, for the previous year in which such approval or notification is withdrawn and tax shall be charged on such income at the maximum marginal rate in force for that year.]

Explanation.—For the purposes of this section,—

- (a) “National Committee” means the Committee constituted by the Central Government, from amongst persons of eminence in public life, in accordance with the rules made under this Act;
- (b) “eligible project or scheme” means such project or scheme for promoting the social and economic welfare of, or the uplift of, the public as the Central Government may, by notification in the Official Gazette, specify in this behalf on the recommendations of the National Committee.]

Provisions of the Income Tax Rules, 1962 relating to the National Committee for Promotion of Social & Economic Welfare

[F.—National Committee for Promotion of Social and Economic Welfare

General.

11F. In this sub-part “National Committee” means the National Committee defined in section 35AC.

Composition of the National Committee.

11G. (1) The National Committee shall consist of fourteen members appointed by the Central Government from amongst persons of eminence in public life.

(2) The term of office of a member shall be for three years commencing on the date of notification.

[(3) One of the members of the National Committee shall be appointed as Chairman by the Central Government. In the event of vacancy of the office of Chairman for any reason and until a new Chairman is appointed, no meeting of the National Committee shall be held :

Provided that if for any meeting, the Chairman is absent, the members present for the meeting may elect one amongst themselves to preside over the day's sitting.]

(4) The National Committee may appoint one or more sub-committees from among its members for looking into specific areas of activity from time to time. The National Committee may invite any expert to examine any matter of technical nature.

Headquarters and Secretariat.

11H. (1) The headquarters of the National Committee shall be at New Delhi. Its sittings shall take place at New Delhi or such other place as the Central Government may decide.

(2) Secretariat to the Committee will be provided by the Department of Revenue, Ministry of Finance, Government of India and a Joint Secretary to the Government of India, in the Department of Revenue shall act as Secretary to the Committee.

Functions.

11-I. The functions of the National Committee shall be—

- (i) to approve associations and institutions for the purpose of carrying out any eligible project or scheme; and
- (ii) to recommend to the Central Government projects and schemes of any company including a public sector company, a local authority or an approved association or institution, for being notified as eligible projects or schemes for the purposes of section 35AC.

Guidelines for approval of associations and institutions.

11J. In according approval to any association or institution, the National Committee shall satisfy itself that,—

- (i) the association or institution is—
 - (a) constituted as a public charitable trust; or
 - (b) registered under the Societies Registration Act, 1860 (21 of 1860) or under any law corresponding to that Act in force in any part of India; or
 - (c) registered under section 25 of the Companies Act, 1956 (1 of 1956);
- (ii) persons managing the affairs of the association or institution are persons of proven integrity;
- (iii) the activities of the association or institution are open to citizens of India without

- any distinction of religion, race, caste, sex, place of birth or any of them and are not expressed to be for the benefit of any individual or community;
- (iv) the association or institution maintains regular accounts of its receipts and expenditure; and
 - (v) the instrument under which the association or institution is constituted does not or the rules or regulations governing the association or institution do not contain any provision for the transfer or application, at any time, of the whole or any part of the income or assets of the association or institution for any purpose other than a charitable purpose.

Guidelines for recommending projects or schemes.

11K. In making recommendations to the Central Government with regard to any project or scheme for being notified in the Official Gazette as an eligible project or scheme, the National Committee shall satisfy itself that,—

- (i) the project or scheme relates to the provisions of one or more of the following :—
 - (a) construction and maintenance of drinking water projects in rural areas and in urban slums including installation of pump-sets, digging of wells, tube-wells and laying of pipes for supply of drinking water;
 - (b) construction of dwelling units for the economically weaker sections;
 - (c) construction of school buildings primarily for children belonging to the economically weaker sections of the society;
 - (d) establishment and running of non-conventional and renewable source of energy systems;
 - (e) construction and maintenance of bridges, public highways and other roads;
 - (f) any other programme for uplift of the rural poor or the urban slum dwellers, as the National Committee may consider fit for support;
 - [(g) promotion of sports;]
 - [(h) pollution control;]
 - [(i) establishment and running of educational institutions in rural areas, exclusively for women and children upto 12 years of age;
 - [(j) establishment and running of hospitals and medical facilities in rural areas, exclusively for women and children upto 12 years of age;
 - [(k) establishment and running of creches and schools for the children of workers employed in factories or at building sites;
 - [(l) encouraging the production of bacteria induced fertilisers;
 - [(m) any programme that promotes road safety, prevention of accidents and traffic awareness;]
 - [(n) construction of hostel accommodation for women or handicapped individuals or individuals who are of the age of sixty-five years or more;]
 - [(o) establishment and running of institutions for vocational education and training in rural areas or towns which consist of population of less than five lakhs;]
 - [(p) establishment and running of institutions imparting education in the field of engineering and medicine in rural areas or towns which consist of population of less than 5 lakhs;]
 - [(q) plantation of softwood on degraded non-forest land;

- (r) any programme of conservation of natural resources or of afforestation;]
- [(s)relief and rehabilitation of handicapped individuals;]
- (ii) the benefit of the project or scheme shall flow to the public in general or to individuals belonging to the economically weaker sections of the society;
- (iii) the applicant has the necessary expertise, personnel and other facilities for efficient implementation of the project or scheme;
- (iv) the applicant shall maintain separate accounts in respect of the eligible project or scheme.

Application for approval of an association or institution or for recommendation of a project or scheme by the National Committee.

11L. (1) An application for approval of an association or institution or for recommendation of a project or scheme by the National Committee for the purposes of section 35AC may be made to the Secretary to the National Committee for Promotion of Social and Economic Welfare, Department of Revenue, Government of India, North Block, New Delhi - 110 001.

(2) The application should be submitted in 2 sets, written either in English or Hindi, and should be accompanied with details about the name, address and status of applicant, the district/ward/circle where assessed/registered, permanent account number, audited balance sheet and profit and loss account or income and expenditure account for the latest year for which these are available and two preceding years.

(3) The application for approval of an association or institution should contain the following particulars and be accompanied with relevant documents :—

- (i) Name and address of the association or institution;
- (ii) How constituted (whether as a trust, society, etc.) supported by relevant documents like trust deed, rules and regulations, memorandum of association, etc., and registration certificate, if any ;
- (iii) Names and addresses of the persons managing the affairs of the association or institution, including those who had, at any time, during the three years preceding the date of application, managed the affairs of the association or institution;
- (iv) If the association or the institution is notified by the Central Government for the purposes of sub-clause (iv) or (v) of clause (23C) of section 10 of the Income-tax Act, 1961 (43 of 1961), or is approved for the purposes of section 80G, the particulars of the approval granted;
- [(v) Brief particulars of the activities of the association or institution during three years preceding the date of application :

Provided that when an association or institution has been in existence for a period of less than 3 years, in that case, that association or institution may furnish particulars of its activities for the period of its existence;]
- (vi) Such other information as the association or institution may like to place before the National Committee.

(4) The application for recommendation of a project or scheme should contain the following particulars and be accompanied with relevant documents,—

- (i) Title of project or scheme;
- (ii) Date of commencement;
- (iii) Duration and the likely date of completion;
- (iv) Estimated cost of the project or scheme duly supported by a copy of the resolution

of the Managing Committee of the association, institution or the local authority or, as the case may be, the Board of Directors of the company;

- (v) Categories or classes of persons who are likely to be benefited from the project or scheme;
- (vi) Affirmation that no benefit from the project or scheme, other than remuneration or honorarium for whole time or part-time work done or for reimbursement of actual expenses related to the project will accrue to the persons managing the affairs of the association or institution or to individuals not belonging to the economically weaker sections of the society;
- (vii) Where the project or scheme is to be executed by a company, information about whether the project or scheme is such which the company is required to execute under any law for the time being in force or under agreement with employees or otherwise;
- (viii) Such other particulars as the applicant may like to place before the National Committee.

Procedure before the National Committee.

11M. (1) All applications under rule 11L should be circulated by the Secretary to the National Committee to all the members of the Committee and will be considered by the National Committee at its sitting held at least seven days after the date on which the application is circulated. In exceptional cases, the Chairman may curtail the period of notice and may also direct consideration of the application by circulation only.

(2) The National Committee may call for such other information from the applicant as it deems necessary for taking a decision on the application and may also direct its Secretary to make or cause to be made enquiries on any matter relating to the application.

(3) The quorum for taking a decision on an application shall be at least five members, including Chairman. If a meeting is adjourned without taking a decision for lack of quorum, the [decision to adjourn the meeting] may be taken by the members present, even without the requisite quorum. [This decision would be conveyed to the absentee members along with notice about the date, time and place for re-holding the adjourned meeting.]

(4) Approval of an association or institution shall be for such period as the National Committee may decide, generally not exceeding a period of three years at a time. Subsequent approvals, if required, for a further period, can be granted only if the National Committee is satisfied about the activities of the association or institution during the preceding period of approval.

(5) The National Committee shall recommend ordinarily to the Central Government a project or scheme for being notified as an eligible project or scheme for an initial period up to three financial years. If the project or scheme is likely to extend beyond three financial years, the National Committee shall make further recommendations for a period of three years at a time after being satisfied that the project or, as the case may be, scheme is being executed properly. For this purpose, the National Committee may monitor the execution of project or scheme and call for such information as it deems necessary.

Other provisions.

11N. (1) The members of the National Committee shall not be entitled to any remuneration.

[(2) The members and Chairman of the National Committee shall be entitled to—

- (i) Sitting fee of Rs. 250 per day for attending a meeting of the National Committee or any Subordinate Committee set up by the Chairman of the National Committee. However, sitting fee would not be payable where applications are considered by circulation or when a member is on tour.
- (ii) Reimbursement of actual expenditure incurred by way of travel by rail, road or air, for attending any meeting of the National Committee or its Subordinate Committee. The entitlement of air travel would be restricted to the amount charged by Indian Airlines for its economy class for the members and to the amount charged for the executive class of the Indian Airlines for the Chairman. Members including Chairman may travel by any class on train. Members and Chairman would also be entitled to the reimbursement of taxi fare for reaching the venue of the meeting from their place of stay and for going back to the place of stay after the meeting.
- (iii) Daily allowance for out-station members would be admissible in accordance with the following Table :

TABLE

<i>(A)</i>	<i>(B)</i>	<i>(C)</i>
<i>City or Locality</i>	<i>Stay in hotel and/or other establishment providing boarding and/or lodging at scheduled tariff</i>	<i>Does not in hotel or makes own arrangement</i>
	<i>(Rs.)</i>	<i>(Rs.)</i>
I. 'A' Class Cities/Specially Expensive Localities		
<i>(i) Cities</i>	265	106
(1) Ahmedabad U.A.		
(2) Bangalore U.A.		
(3) Calcutta U.A.		
(4) Delhi U.A.		
(5) Greater Bombay U.A.		
(6) Hyderabad U.A.		
(7) Kanpur U.A.		
(8) Madras U.A.		
(9) Pune U.A.		
<i>(ii) Localities</i>		
(1) Darjeeling District (except Siliguri Sub-division)		
(2) Darjeeling Town		
(3) NEFA areas beyond Inner Line		
(4) Naga Hills Tuensang area beyond the Inner Line		
(5) The following expensive/remote localities of Himachal Pradesh :—		
1. Lahaul and Spiti District;		

2. Kinnaur District;
 3. Bharmour sub-division and Pangi Sub-division of Chamba District;
 4. Pargana of Pandrahbis; Outer Seraj and Malana Panchayat area of Kulu District;
 5. Chhuhar Valley of Jogindernagar Tehsil of Mandi District;
 6. Mangal Panchayat area of Solan District;
 7. Dodra-Kawar area of Rohru Tehsil; Parganas of Chhebis, Naubis, Barabis, Pandrahbis and Atharahbis; Sarahan and Gram Panchayats of Munish, Darkali and Kashapet of Rampur Tehsil of Simla District; and
 8. Chhota Bhangal and Bara Bhangal areas of Palampur Sub-division of Kangra District;
- (6) The following hill areas in Manipur which do not fall on the National Highway :—

1. Ukhrul
2. Churachandpur
3. Tamenlong
4. Jiribam
5. Mao Maram
6. Tengnampal

II. 'B-1' Class Cities/Expensive Localities

(i) *Cities*

- (1) Coimbatore U.A.
- (2) Indore City U.A.
- (3) Jaipur U.A.
- (4) Lucknow U.A.
- (5) Madurai U.A.
- (6) Nagpur U.A.
- (7) Patna U.A.
- (8) Surat U.A.

(ii) *Expensive Localities*

- (1) The following areas of Himachal Pradesh :—
 1. Simla;
 2. Janjehli Block of Chachiot Tehsil of Mandi District;
 3. Chopal Tehsil of Simla District;
 4. Trans-Giri Tract of Sirmur District;
 5. Churah Tehsil, Salooni Tehsil, Kunr Panchayat and Belaj Pargana of Chamba Tehsil of Chamba District;
 6. Manali-Ujhi area, Parvati and Lagg Valley

and Banjar Block of Kulu District.

- (2) The whole of Jammu and Kashmir;
- (3) Andaman and Nicobar Islands;
- (4) The entire territory of the Laccadive, Minicoy and Amindivi Islands

(iii) *Other cases*

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- (iv) At the option of the Chairman or Member, in lieu of daily allowance mentioned in item (iii) above, the out-station Chairman or Member may opt to stay and claim reimbursement of rent in any State guest house or for single room in medium range ITDC hotel like Lodi Hotel, Qutab Hotel, Janpath Hotel, Ashoka Yatri Niwas or State Government run tourist hotels/hostels or residential accommodation provided by registered societies like India International Centre or India Habitat Centre. In this situation the daily allowance would be restricted to Rs. 72, Rs. 57 or Rs. 53 for the 'A' Class, 'B-1' Class and other cities or localities respectively mentioned in item (iii) above.
 - (v) Members and Chairman would have the same entitlement for travel, boarding and lodging in respect of tours undertaken in pursuance of a decision taken by the National Committee. However, sitting fee would not be admissible while on tour.
 - (vi) Sitting fee would not be admissible in case the National Committee takes decisions by circulation of the application alone. Actual postal charges and other expenses incurred by Members and Chairman for circulating the application would be reimbursed.
 - (vii) Reimbursement of any other expenditure with the approval of Secretary (Revenue) and the Financial Advisor, Department of Revenue, Ministry of Finance.]
- (3) In granting approval to any project or scheme undertaken by a company, the National Committee shall satisfy itself that, where any expenditure is to be incurred in the acquisition or erection of a capital asset, the applicant-company has made adequate arrangements for divesting itself of the ownership of such asset without consideration in cash or otherwise immediately on completion of the eligible project, in the following manner :—
- (i) in the case of drinking water projects, to individuals belonging to the economically weaker sections or to the local authority or the village panchayat, as the case may be;
 - (ii) in the case of dwelling units, to individuals belonging to the economically weaker sections, or to the local authority, village panchayat or an authority constituted under any law for the purpose of satisfying the need for housing accommodation or for the purpose of development or improvement of cities, towns and villages, as the National Committee may decide;
 - (iii) in the case of school buildings, to an educational institution existing solely for educational purposes and not for profit or to the State Government, local authority or a village panchayat;
 - (iv) in the case of non-conventional or renewable energy systems, to the district administration, local authority, village panchayat or to individuals belonging to the economically weaker sections, or such other statutory body as the National Committee may decide;
 - (v) in the case of bridges, public highways or other roads to the Central or the State Government, local authority or such other statutory body as the National

Committee may decide;

- (vi) in the case of equipment purchased for the purpose of eligible project or scheme, to the State Government, local authority or such other statutory body as the National Committee may decide having regard to the capacity of the authority concerned to gainfully utilise such equipments;

Note : Where before the completion of any eligible project/scheme, the company undertakes other eligible project(s)/scheme(s) and transfers the equipments to such subsequent project/scheme, the company will be required to divest itself of the ownership of the equipment only after the completion of the last eligible project/scheme.

- (vii) in any other case, to such authority as the National Committee may decide.

(4) Immediately on completion of an eligible project/scheme, the company shall furnish details of the execution thereof to the National Committee. The National Committee shall satisfy itself that the project/scheme has been completed in accordance with the approval granted and that the company has divested itself of the assets in the manner prescribed by the National Committee. If the National Committee is not so satisfied, it may, after giving an opportunity of being heard on the proposed action, order withdrawal of the approval which shall then be deemed never to have been granted.]

[Certificate of payment or expenditure in respect of eligible projects or schemes notified under section 35AC.

11-O.(1) The certificate referred to in clause (a) of sub-section (2) of section 35AC shall be in [Form No. 58A](#) .

(2) The certificate referred to in clause (b) of sub-section (2) of section 35AC shall be in [Form No. 58B](#) .

(3) Every public sector company or a local authority or an association or institution, as the case may be, who issues a certificate referred to in sub-rule (1) or sub-rule (2) shall, in respect of the 31st March in each financial year, deliver or cause to be delivered to the Secretary, National Committee, an annual report indicating the progress of work relating to the project/scheme during the year as well as the following information (please specify the information in respect of each contributor separately) :—

- (i) Names of the contributors and their addresses.
- (ii) Permanent Account Number/G.I.R. Number of the contributors.
- (iii) Amount(s) of contribution.
- (iv) The project/scheme for which contribution was made.
- (v) Total amount of contribution received during the previous year.
- (vi) Total cost of the project approved by the National Committee (with date of Committee's approval).

(4) Every public sector company or a local authority or an association or institution, as the case may be, who issues a certificate referred to in sub-rule (1) or sub-rule (2) shall send an annual statement of donation received and the details of the project to the National Committee and to each contributor by 30th June, following the financial year in which the amounts are received.]