

CIRCULAR No.61

SUBJECT : Scrutiny of Schedule IX-C.

Avoiding double deductions on account of Government grants during

Rule 32(3) of the Bombay Public Trusts Rules, 1951 provides for certain deductions from the gross annual income or receipts of public trust for the purpose of assessing the contribution. It is however noticed that there is a possibility of a public trust claiming double deductions as illustrated below :

Suppose a public trust has mixed objects, objects liable to contribution and objects exempt from contribution and some of the items of the income & expenditure account for a particular year are as indicated

Expenditure	Rs.	Income	Rs.
To		By	
Expenditure on educational Objects.	15,000	Interest on securities	15,000
To		By	
Expenditure on objects Liable to contribution	5,000	Government grants educational objects.	7,000
To		By	
Surplus carried over to Balance sheet.	2,000		
	-----		-----
Total ..	22,000		22,000
	-----		-----

It is likely that in Schedule IX-C, items claimed as deductions from the income chargeable to contribution would be shown as Rs.22,000 in all (Rs.15,000 amount spent for the purpose of education plus Rs.7000 grant by Government) and the income liable to contribution would be shown as "nil"

The grant of Rs.7000 given by Government compensates part of the expenditure on educational objects and includes certain items of admissible expenses which form part of the total expenditure on education, viz. Rs.15,000. Allowing both the deductions – the full Government grant and the total expenditure on education – would in effect mean allowing Rs.7000 both from the Government grant and the item of expenditure on education. This would be incorrect. In cases of this type care should be taken to verify the purpose of the grant and deduct from

the item of expenditure claimed, the corresponding income already allowed..... In the above illustration, as Rs.7000 received by way of Government grant are already included in the item of Rs.15000/- shown as expenditure on education, the same may be deducted from Rs.15000 before allowing the latter as a permissible deduction from the income chargeable to contribution.

The above instructions should be carefully borne in mind and scrupulously followed in scrutinizing Schedule IX-C.

Dated : 21st October, 1953

D.R.PRADHAN
Charity Commissioner, Bombay.