

What is tax deduction under sections 35 AC / 35 (1) (ii) & (iii)?

Now let's look at another section .Section 35AC.This is project based.80G is given to your institution. But 35Ac is usually now there are few organisations whose activities are in the nature of projects. Ongoing Projects so in rare cases am not saying in all cases an institution also has 35 AC but it happens in very rare cases.

Largely you might be a multi facets organisation who would be doing lot of work. Let us say the thrust of this section 35Ac came into force from 1st April 1992.The thrust of the section was to give incentive to donor so that NGOs can take up projects which are largely meant for urban slum dwellers and rural welfare.

The main thrust of the section is that. Now what you have to do is basically say that you are an urban NGO. You want to do something in the urban area. Let us say you want to work in very disadvantage community. Let us say you want to work in slum areas. So you want to do something over there and you have to device a project around it. What is the understanding of the project? First of all it must be time bound. It's a one year project or two year project, three year project.

What are you going to do there? Clean the drinking water, a community health centre women's networking facility or hygiene facility. All sorts of things you might want to have over there .A clinic there. And you put a budget and a time frame to it .And if that get approved, donors giving to his project, which has a 35AC certificate the donor gets a hundred percent deduction .So under section 80G which is given to your organisation the donor gets a fifty percent deduction here it's a hundred percent write off.

Say someone gives you a 10000 rupees as donation than the donor will get a 100 percent donation for computation of taxation. So here the ten percent ceiling limit is also not there .Now what are the projects qualifying for this deduction. The income tax department has given us some insights like:

- A. Construction and maintenance of drinking water project in rural areas and urban slums.
- B. Construction of dwelling units for the economically weaker sections
- C. Construction of school buildings primarily for children belonging to the economically weaker section of the society.