**How recent amendments in laws affect “Non-Profit Organizations”?**

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There are many countries in the world where the citizens are generous in making contributions for charitable purposes. Fortunately, Pakistan is one amongst them, where people not only volunteer themselves for charitable works but also give hefty donations for such types of activities. To operate more in a regulated manner, the like-minded persons join hands to create Non-Profit Organizations (NPOs) by getting their organization registered in an appropriate law and try to get optimum tax benefits. The natural calamities such as floods, earthquakes, or other disasters, including the situation that we have faced during COVID-19, these NPOs have always remained in front of assisting people. Not only this but some NPOs provide foods, clothing, education support, health facilities, etc. to the deprived ones in usual circumstances to considering that a significant proportion of our citizens are below the poverty line. Countries like ours, need them the most as the State is not fully able to support its needy citizens due to liquidity and resource issues.

The NPOs are generally registered under Voluntary Social Welfare Agencies (Registration and Control) Ordinance, 1961, Societies Registration Act, 1860, Companies Act, 2017, or under any other law working for charitable purposes or being a public or private Trust. The purposes which they are mainly serving include prevention &amp; relief of poverty, promotion of education and learning, provisioning of health and life-saving services, community development, promotion of arts, culture, and heritage, promotion of human rights, conflict resolution and reconciliation activities, promotion of religious and racial harmony, promotion of diversity and tolerance, environmental protection and environmental improvement, relief of those in need of it because of youth, age, ill-health, or disability, etc.

It is also essential to note that NPOs must be educated in the first place regarding the new laws that are being brought for them and they should be allowed more time in getting the compliances done before taking strict actions against them

The thin line that segregates NPO from other profit-making entities is that the members of NPO are not entitled to any profits derived by an NPO, unlike the usual entities which distribute the profits in form of a dividend to its members.

Before coming to the recent amendments in laws that affect NPOs, it is essential to note that the net income of NPO has always been supported by taxation laws. The profits of the normal entity are taxable at a corporate tax rate of twenty-nine percent currently which is not the case for NPO, they enjoy tax benefits. Previously, their income was not chargeable to tax and now they are eligible for a hundred percent of tax credit subject to the fulfillment of the conditions specified under section 100C of the Income Tax Ordinance, 2001 [the Ordinance]. Not only this but if an NPO is approved by the Commissioner of Federal Board of Revenue [FBR] any person who contributes to that NPO will also be entitled to the tax credit under section 61 of the Ordinance subject to conditions specified.

The major change was brought by the Finance Act, 2019 in the Ordinance, where a condition of claiming a hundred percent of the tax credit has been made subject to the approval of the Commissioner. It means that, if an NPO has not got the approval of the Commissioner or it is not an approved NPO then it will have to discharge its tax liability at the rate of twenty-nine percent just like other corporate entities. This condition has been made effective from the first day of July 2020. Therefore, the NPOs filing their annual return of income for the tax year 2021 will be paying the tax at the corporate tax rate if approval has not been obtained.

Moreover, with the approval comes another advantage too, not only for the donors but for the NPO itself that it will also be entitled to obtain an exemption from withholding tax certificate which means tax cannot be collected or deducted from any payment that is being made to it by the other person. Another important change that was brought by Finance Act, 2020 is to file a statement of voluntary contributions and donations, received in the immediately preceding tax year without which NPO’s income will again be made subject to tax.

Apart from the changes under the Ordinance, the Provinces have also passed The Charities Act in their respective provinces for all those NPOs operating in that province. Regardless of whichever law an NPO was initially registered, the law applies to all. Under this law, every NPO is required to get itself registered with the Commission formed for this purpose.

This online registration comprises submitting the necessary information including basic information, details of trustees, employees, beneficiaries, assets, income, donations, liabilities, bank accounts of trust, etc. with audited financial statements and subject to payment of a fee. After verification, a certificate would be issued to the concerned NPO.

The Commission heading this project have given their timelines to NPOs for complying with this law after which NPOs would be subject to adverse repercussions including suspension or cancellation of the registration of that charity and with a fine up to PKR one million. If NPO is not registered under this Act, then it will not be allowed to collect charitable funds or seek the collection of charitable funds. Moreover, this Act has imposed the burden of accurate and timely preparation of accounting records on the trustees managing the trust.

The amendments discussed above would at one side promote a more regulated environment for the NPOs, while on the other side it would also burden them out with the additional compliances, thereby, increasing their compliance cost. It is also essential to note that NPOs must be educated in the first place regarding the new laws that are being brought for them and they should be allowed more time in getting the compliances done before taking strict actions against them. Otherwise, these NPOs might consider the closure of their work which ultimately would hamper the charitable activities in the country.

Without a doubt, these NPOs share the responsibilities of the State by providing a helping hand to it. Therefore, measures for compliance should be taken but not in a manner that results at the end of charitable works.