



Voluntary Action Network India

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13th July 2009

Shri Pranab Mukherjee
Hon'ble Finance Minister
Government of India
New Delhi

Re: Amendments to definition of 'Charitable Purpose'

Respected Shri Pranab Mukherjee,

On behalf of several thousand voluntary organisations in the country, I am writing to you about the recent amendments to the definition of '*charitable purpose*' you have introduced in the Finance Bill 2009 as tabled in the Parliament on July 6, 2009.

We welcome your inclusion of preservation of environment, monuments or places of historic and artistic interest in the amended section 2(15) of the Income Tax Act 1961. However, this is a *piecemeal* amendment, and it leaves out all those genuine voluntary organisations which have been working on such issues as

- women's empowerment
- child labour
- self-help groups
- youth leadership
- drinking water & sanitation
- livelihood and income generation
- housing for the rural & urban poor
- human rights & legal aid
- panchayats and municipalities
- and many others.

By amending section 2(15) in such manners, there will always be some discrimination against those types of charitable activities which do not get included.

We understand that your Ministry's main concern is that these provisions should not be misused by those organisations which are actually doing business, but 'pretending' to be non-profit.

We would like to suggest that a more inclusive way of handling such genuine concerns of your Ministry would be to amend Section 11(4A) of the Income Tax Act 1961 so as to 'disallow' any business by charitable organisations which is not incidental to their main charitable purposes. This will ensure that commercial activities can not be camouflaged as charitable.

We would be happy to discuss this further with you and your officers in the interest of ensuring that genuine voluntary organisations do not suffer due to such amendments in the definition of the charitable purpose.

Thanking you.

Sincerely,

Rajesh Tandon
Chairperson
Voluntary Action Network India (VANI)