

All clubs should get PAN and be KYC compliant

Team Rotary News

In a letter written to club and district leaders, RI Directors Bharat Pandya and Kamal Sanghvi have urged all the Rotary clubs in India to comply with the new norms and regulations implemented by the government of India for the voluntary sector. The letter says: “As you are aware, Rotary clubs are independent legal entities, governed by their respective constitutional documents and charter. However, whether or not a Rotary club is incorporated/registered, such club qualifies as a “person” under Section 2(31) of the Income Tax Act, 1961 and hence is a taxable entity under the Act. Every Rotary club has an annual budget of expenses and this amount is pooled in by the members, and has (income) receipts such as fees received from club members; sponsorship money for conducting seminars from third parties/advertisements revenues; interest on bank balance and deposits of the club etc.

Accordingly, clubs qualify as an ‘assessee’ under the I-T Act, where there is any income arising to the clubs that may be subject to income tax. Lack of registration of clubs and therefore not applying for PAN may be construed as Rotary clubs operating in contravention of the prevailing laws, ie, under Income Tax Act, 1961, read with the KYC norms issued by the Reserve Bank of India.

Due to not meeting these requirements, many Rotary clubs/districts have faced challenges while opening bank accounts for club and foundation activities. Each Rotary club/district is therefore expected/advised to act in conformity with Indian laws and duly

fulfil obligations. As these requirements cannot be overlooked, RI seeks cooperation of all the Rotary clubs/districts in India without exception.”

To help decode what this means, RISAO has drawn up and answered some FAQs:

Why is a Rotary club’s registration so important?

RI has always encouraged its clubs to be compliant with the prevailing laws of the land. The Union Budget 2020–21, read with the recently enacted Finance Act, 2020, is focused on bringing in transparency in transactions under the head of donations/voluntary contributions, A registered Rotary club can have its independent bank account, registered address and PAN, which are now mandates of KYC for all relevant financial transactions which could be scrutinised by an Income Tax Assessment Office.

What legal steps are required for registration?

There are different laws and corresponding procedures, governed by local state laws, which govern the registration or incorporation of any entity. It is advisable that you contact a local legal advisor or chartered accountant for the best options and procedures available for your club.

What legal compliances are required for a registered Rotary club?

Compliances for registered entities also corresponds with the laws under which your club may be incorporated/formally organised. Your legal

advisor/chartered accountant will be the best to guide you on the process.

Who is responsible for meeting with the compliances of income tax (or other statutory) authorities on yearly basis?

Depending on the law under which your club may be registered by your professional advisor, there would be certain statutory compliances. Your legal advisor/chartered accountant will be the best to guide you on the process.

Is the registration of Rotary club mandatory under Rotary Manual of Procedures?

No. Although, the Rotary Manual of Procedure does not mandate the registration of Rotary clubs, however, the Rotary Code of Policies does require all its member clubs to be strictly compliant and in conformity with the laws of the land.

Does the club need to submit PAN card/ compliance proofs with RISAO?

No, the club is expected to have a PAN card and necessary records for KYC purposes.

Whom can we contact at RISAO for the registration process?

While we at RISAO are always happy to support and help, however, since the laws and procedures are specific and unique to each club, and in accordance with the local laws and procedures of the state in which your club is situated, RISAO can only offer the limited advice for you to reach out to the local legal advisor/chartered accountant. ■