Pakistan Centre for Philanthropy

Role of Pakistan Centre for Philanthropy (PCP)

When Non-Profit Organisations (NPOs) apply for performance evaluation/certification to Pakistan Centre for Philanthropy, as part of the mandatory requirements, desk review of NPO's charter is undertaken. In case the above clauses as specified by Income Tax Rules 213(1) of Income Tax Rules, 2002 are not reflected in NPO's charter or governing document, we require the applicant NPO to amend its charter or governing document so as to bring it in compliance with Income Tax Rules, 2002. If any Non-Profit Organisation (NPO) does not comply with the requirements specified by Rule 213(1), then it is one of the grounds for the Commissioner of Inland Revenue to refuse the application.

1. Other Requirements

In addition to the above, there are several other compliance requirements for the Non-Profit Organisations (NPOs) specified in Income Tax Rules, 2002. These include;

a) Absence of Personal Gain

Non-Profit Organisation should not be used for personal gain of any particular person or a group of persons. In case of any evidence to this effect, Commissioner Inland Revenue can refuse the approval of NPO status to such NPO.

For example, payment from the NPO funds for the personal litigation suit on any member of the NPO, shall raise question about personal gain.

b) Non-Propagation of view of political party or religious sect

Non-Profit Organisations can not involve in propagation of views of any political party or any religious sect. Although, NPOs can operate to promote a particular religion, however, the promoting views of any religious sect are not allowed.

c) Management of NPO in a manner to personally benefit its members or their families

Non Profit Organisations should be managed as openly & transparently as possible meaning thereby, NPOs should work for the public benefit. If there is evidence that a particular NPO is being run so as to personally benefit its members or families of the members, then Commissioner Inland Revenue is likely to refuse NPO status to such organisations.

d) Unsatisfactory performance evaluation report from an Independent Certification Agency i.e. Pakistan Centre for Philanthropy (PCP)

Non-Profit Organisations are also required to obtain a satisfactory report from an Independent Certification Agency i.e. PCP. Pakistan Centre for Philanthropy (PCP) evaluates the performance of NPOs against standards duly notified by Federal Board of Revenue (FBR) and issues and evaluation report in this regard. In case of unsatisfactory report, Commissioner Inland Revenue is not likely to grant NPO status.

e) Expenditure on salaries exceeding 50% of the total receipts

It is also one of the several requirements where the income tax law requires NPOs to limit their expenses on salaries up to the maximum level of 50% of the total receipts excluding the restricted funds received during the tax year.

For Example,

Receipts during the tax year	Restricted Receipts (Rs)	Restricted funds are to be excluded	Unrestricted Receipts (Rs)	% Salary
	50,000		100,000	60%
Less: Salaries Expense	15,000		60,000	

In the above case, salaries from restricted funds received during the tax year are greater than 50% which is non-conformance to the above requirement.

f) Non-provision of information regarding names, CNIC/NTN, last income declared, tax year and addresses of the promoters, directors, trustees, president, secretary, treasurer, manager and other office bearers, as the case may be, of the organization and indicating clearly their family relationships, if any, with each other

This is a new requirement inserted by the S.R.O. 754(I)/2016 dated 15th August, 2016. NPOs are required to provide related information as specified in the above clause.

g) Failure to give valid reasons for setting apart, or not utilizing, or accumulating surpluses

Non Profit Organisations are required to provide valid reasons for setting apart or accumulating surpluses. Failure give valid reasons can result in refusal to NPO status.

h) Failure to file the return of income supported with following documents

(1) Statement of audited balance sheet and statement of accounts as mentioned in clause (d) of sub-rule (2) of rule 211
(2) Statement showing names and addresses of the persons from whom donations, contributions, subscriptions etc. exceeding Rs.5,000/- have been received during the tax year;
(3) Statement showing the names and addresses of donees and beneficiaries etc. to whom payments, services etc. exceeding Rs.5,000/- have been made during the tax year; and
(4) Statement showing the money set apart or kept un-utilized with reasons thereof;

i) Failure to file statements of deduction of income tax under section 165 read with rule 44

Non-Profit Organisations are treated as companies in the Income Tax Ordinance, 2001. Being companies, NPOs are required to act as withholding agent and therefore, collect and deduct tax on behalf of the government and then deposit it in government treasury within stipulated time. Apart from deducting and collecting taxes, NPOs are also required to file statement for taxes so deducted or collected, every month. Non-filing of such statement can lead Commissioner Inland Revenue to refuse the grant of NPO status, tax credits or exemptions (as applicable).