

GUIDANCE NOTE

Form 180 – Form for making application to seek approval of an employee welfare fund under section 11(3) read with Schedule VII [Table:SI No. 2] of the Act

Purpose:

Form 180 is prescribed under Rule 286 of the Income Tax Rules, 1962 and is required to be filed for claiming exemption under **Section 11(3) read with Schedule VII [Table:SI No. 2] of ITA 2025**, by a fund established for notified purposes for the welfare of employees or their dependents. Such fund is required to be form under a Trust and the employees are members of the fund.

The form is used by an employer establishment to apply for recognition and approval of its Employee Welfare Fund by the PCIT/CIT. The recognition grants the fund a pass-through status under the Income-tax Act, meaning that income generated by the fund can be passed to the investors/members without the fund itself being taxed, subject to specific conditions.

This form provides for the columns for furnishing information about the fund for verification and satisfaction of the PCIT/CIT before granting approval.

The form must be verified by the Trustee / Principal Officer of the Fund.

Who Should File:

The Employee Welfare Trust seeking approval of the fund, or renewal thereof, under **Section 11(3) read with Schedule VII [Table:SI No. 2] of ITA 2025**, is required to make an application in Form 180 to the PCIT/CIT having jurisdiction over the area or territory in which the account of the fund are kept.

When and How to File:

- The form shall be filed on e-filing portal.
- The form shall be furnished electronically either under digital signature or through electronic verification code verified by the Trust / Fund.
- The e-form shall have to be furnished by such Trusts / Funds, who are claiming exemption under **Section 11(3) read with Schedule VII [Table:SI No. 2] of ITA 2025**.

Filing Count:

The number of Forms 180 filed over the past five years is 442.

Structure of Form 180:

The form consists of the following parts:

Part A – Particulars of the applicant Trust/ Fund

- Name, Address and PAN, contact details

Part B – Other Information

- Name and PAN of the employer organisation
- Objects of the Fund as per the Trust Deed.
- Details of trustees/ office bearers of the Fund
- Classes and no. of employees admitted to the Fund.
- Details of contribution to the fund, and income accrued
- Details of application or accumulation of funds.
- Formal verification by the applicant.

Documents required to file Form 180

- A copy of instrument of trust evidencing the formation of the fund.
- Notes on activities of the fund for the period since its inception or during the last three years, whichever is less.
- Copies of accounts of the fund for the period since its inception or during the last three years, whichever is less.

What is the process flow of filing Form 180?

The process flow includes following steps:

- Prepare the application: Fill Form 180, ensuring all columns are complete with accurate details.
- Attach mandatory documents.
- Sign/verify: Application, annexures, and all attached statements must be signed or digitally signed by the Trustee / Principal officer of the Fund.
- Submit online on the e-filing portal.

Outcome of Processed Form 180:

- Where the PCIT/CIT is satisfied that all the conditions laid down in Schedule VII [Table: Sl. No.2] are fulfilled in the case of the fund, he shall record such satisfaction in writing and grant approval to the fund specifying the tax year(s) for which the approval is valid.
- The period of validity of such approval, however, shall not exceed 3 tax years.

- Where the Principal CIT/CIT is satisfied that one or more of the conditions laid down in Schedule VII [Table: Sl. No.2] are not fulfilled, he shall reject the application for approval, after recording the reasons for such rejection in writing. But no order of rejection of an application shall be passed without giving an opportunity of being heard.

Key updates include the following:

- Name and PAN of the Trust / Fund (*set up for the notified purposes*) is proposed to be captured, in addition to existing details of employer organization.
- Drop down has been provided to select objects of the Trust (*out of the list of purposes notified by the Board for welfare of employees*)
- PAN of the Trustee(s) for accurate identification.
- The requirement of mentioning details of assessment ward/circle has been done away with.
- The details of investments / deposits other than the specified modes is also proposed to be captured, for better regulatory control.

Improved Applicant Experience, Expedited Process:

The language of the Form has been simplified. The data fields sought to be captured have been rationalized and standardized, viz. dropdown for objects of the Trust, simplification of employee disclosure etc.

Challenges, Solutions and suggestions:

➤ **Challenges in Old Form 180:**

In the original form, the primary details (*Name and PAN*) of the Trust/Fund itself was not being captured. Further, there was no column for reporting PAN of Trustees, thereby rendering the entire data captured in the Form of limited use for Database purposes. Objects of the trust were required to be entered manually, against which most of the applicants used to mention "as per the Trust deed". Thus, the original form failed to capture the most relevant information, i.e. *whether or not the objects of the Trust were as per the purposes notified by the Board*.

➤ **Solutions in New Form 180**

These gaps have been adequately addressed by making qualitative changes in the proposed Form, as elaborated above.
