

Guidance Note on Form 23

Form 23 is an Income-tax notification form issued for an approved Skill Development Project under Section 47(1)(b) of the Income-tax Act, 2025, in accordance with Rule 39 and Rule 40. This Form is issued by the Central Board of Direct Taxes (CBDT) to formally notify an approved skill development project in the Official Gazette.

Purpose of Form 23

The primary purpose of Form 23 is to:

- Notify an approved Skill Development Project under Section 47(1)(b) of the Income-tax Act, 2025.
- Specify the Tax Year(s) for which the project is approved.
- Record key project particulars, including title, purpose, training institute details, duration, and approved expenditure.
- Lay down terms and conditions subject to which the project remains notified.
- Enable tax benefits linked to approved skill development projects.

Issuance Requirements

- **Who issues Form 23:** Form 23 is issued by the CBDT, after an eligible company's application in Form 22 is examined and recommended by the National Council for Vocational Education and Training (NCVET) under Rule 39.
- **When Form 23 is issued:** Form 23 is issued when:
 - The project satisfies conditions under Rule 39 and Rule 40, and
 - The Board approves notification under Section 47(1)(b) of the Income-tax Act, 2025.
- The notification is valid for a period not exceeding three Tax Years.

How Form 23 is authenticated

Form 23 is authenticated through:

- Signature of the authorized CBDT officer, and
- Publication in the Official Gazette.

Information Contained in Form 23

The Form contains the following key details:

- **Particulars of the Company**
 - Name
 - PAN
 - Address
 - Reference number of application
 - Date of application
- **Details of the Skill Development Project**
 - Title of the project
 - Purpose of the project
 - Name and address of the training institute
 - Date of commencement

- Duration in months
- Approved Tax Year(s)
- Total expected expenditure (excluding land/building)
- **Conditions** subject to which the project is notified

Frequency and Validity Period

- **Frequency:** Form 23 is not filed by the assessee. It is issued once per approved project, or upon renewal of notification.
- **Validity Period:** Notification under Form 23 is valid for up to three Tax Years, unless extended or revoked.

Compliance Obligations After Notification

After issuance of Form 23, the eligible company must:

- Maintain separate books of account for the project
- Get project accounts audited by an accountant under Rule 40
- Furnish audited statements and audit report on or before the due date under Section 263(1) of the Income-tax Act, 2025
- Ensure expenses claimed are wholly and exclusively for the notified project
- Comply with all notification conditions
- Ensure project activities remain genuine and in accordance with law

Renewal of Notification

If satisfied with project performance, the Board may extend notification for a further period not exceeding three Tax Years, in consultation with NCVET, as per Rule 39.

Revocation of Notification

Notification under Form 23 may be revoked if:

- The company or training institute ceases activities
- Project activities are not genuine
- Separate books of account are not maintained
- Audit or reporting requirements are not complied with
- Conditions of notification are violated
- Statutory provisions under Rule 39 or Rule 40 are breached

Revocation is carried out after giving the assessee an opportunity of being heard.

Communication of Notification

A copy of Form 23 is communicated to:

- The applicant
- The training institute
- NCVET
- Jurisdictional Commissioner of Income-tax

UDIN, FRN and DSC Requirements

- **UDIN (Unique Document Identification Number):** Where a Chartered Accountant certifies or audits project accounts, a UDIN must be generated and quoted in the audit or certification.
- **FRN (Firm Registration Number):** If certification or audit is issued by an audit firm, the Firm Registration Number (FRN) must be mentioned.
- **DSC (Digital Signature Certificate):** A valid DSC is required where related filings, audit reports, or submissions are made electronically.

Key Points to Note

- Form 23 is a notification form, not an application form.
- It is issued only after approval of Form 22.
- Notification applies only for specified Tax Year(s).
- Only eligible companies under Rule 40 qualify.
- Projects must be carried out in recognized training institutes.
- Expenditure must exclude cost of land and building and any expenditure on the project that is reimbursed or reimbursable to the assessee by any person, whether directly or indirectly.
- “Tax Year” terminology replaces earlier year references.
- Continuous compliance is required to avoid revocation.

Outcome Details

- **Project Recognition:** Form 23 grants formal Government recognition to an approved Skill Development Project.
- **Continuation or Cancellation:**
 - Compliant projects may be renewed
 - Non-compliant projects may face revocation of notification

Challenges and Solutions

The revised Form 23 framework supports improved governance through:

- Standardized project disclosures
- Transparent approval conditions
- Audit-backed accountability
- Digital monitoring and verification
- Structured linkage between approval (Form 22) and notification (Form 23)

Common Changes Across Forms

- Assessment / Previous Year replaced with Tax Year
- Updated statutory references to the Income-tax Act, 2025
- Enhanced audit, UDIN, FRN, and DSC integration
- Improved digital compliance and structured reporting