

Report on Learning Spaces 2025

A Capacity-Building Initiative for non-profits on Regulatory & Legal Compliances



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Introduction

Learning Spaces, first introduced in 2024, returned in 2025 amid increasing complexity in the legal and regulatory landscape for non-profits, making the workshop timely. Over nearly a decade of working closely with non-profits, Pacta has seen how difficult it can be for organisations to access reliable legal guidance. Support is often costly, inaccessible, and rarely translates into practical clarity, while laws are frequently open to interpretation and subject to rapid changes that leave non-profits uncertain about compliance.

What set **Learning Spaces 2025** apart was its combination of **practical resources and sessions** that addressed evolving challenges. Participants worked through **case studies** and carried back **tools such as a compliance calendar, a GenAI Use Policy, a Data Privacy Policy, and other ready-to-use templates**. This year also **featured sessions on data privacy, artificial intelligence, and hybrid governance**.

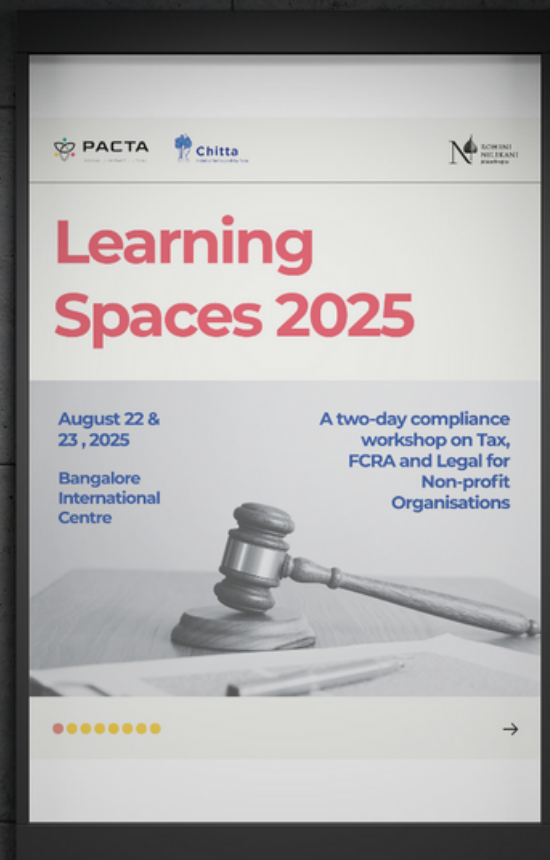
Another highlight was the **participation of senior officers from the Income Tax Department**. Their presence created a rare opportunity for non-profits to engage directly with government representatives and reduce the distance between regulators and regulated entities. This exchange, marked by openness and candour, provided participants with both clarity and confidence.



Learning Spaces 2025

The workshop was **held on 22-23 August 2025 in Bengaluru**. **22 participants representing 14 organisations** from across India attended the two-day workshop. The **cohort was drawn primarily from administration and finance roles**, including finance managers, accountants and CFOs, alongside operations leaders, programme managers and heads of partnerships.

The sessions were **facilitated by Pacta's in-house experts together with external speakers**, including **senior officers from the Income Tax Department**. Discussions covered advanced **topics such as income tax exemptions, administrative expenses under FCRA and CSR law, labour and employment compliance, GST, hybrid governance structures**, and new topics on **data privacy and AI**.



Participant Organisations



FOUNDATION FOR ECOLOGICAL SECURITY



1. Introduction and Setting Context: Emerging Directions in Compliances for Non-profits

Facilitator: Nivedita Krishna

The workshop began with an overview of the changing legal environment for Indian non-profits, highlighting trends in philanthropy, CSR, and FCRA from 2015-2025 and their impact on governance.

Key Regulatory Updates:

- New accounting standards for non-corporate entities
- Dematerialisation of shares for Section 8 companies
- Stricter CSR reporting rules
- SEBI Social Stock Exchange reforms expanding scope and impact reporting
- Notification of DPD Rules, accelerating data privacy compliance
- FCRA amendments tightening publication and FATF compliance
- Madras High Court emphasised due process in FCRA renewals
- Supreme Court extended the Bonus Act to charitable trusts engaged in manufacturing
- Supreme Court affirmed maternity benefit as a fundamental right
- New income tax act introduced further compliance changes

The session highlighted key trends and challenges, guiding discussions across the workshop and emphasising the need for non-profits to adapt their governance and risk strategies.



2. Income Tax Exemptions and Administrative Expenses under FCRA, Tax & CSR Law

Facilitator: Arun Palasseri

Arun explored the intricacies of Income Tax exemptions under sections 12A, 80G, and 10(23C). He explained the circumstances under which exemptions may be denied or lost, the classification of incomes and expenses, and the implications of filing errors. Participants examined how grants, corpus funds, capital gains, and administrative allocations must be reported to avoid compliance risks.

The discussion then turned to administrative expenses, where Arun clarified how definitions vary across laws. Under FCRA, organisations may spend no more than 20% of foreign contributions on administrative costs, while CSR and tax laws apply different criteria for categorisation. He walked participants through how salaries, governance-related expenses, and shared costs may be treated differently depending on the framework. The session emphasised the importance of accurate allocation, consistent record-keeping, and proactive planning to avoid penalties and disputes.

Tools Provided: GST Decision Matrix, Administrative Expense Tracker and Fixed Asset Reporting Worksheet

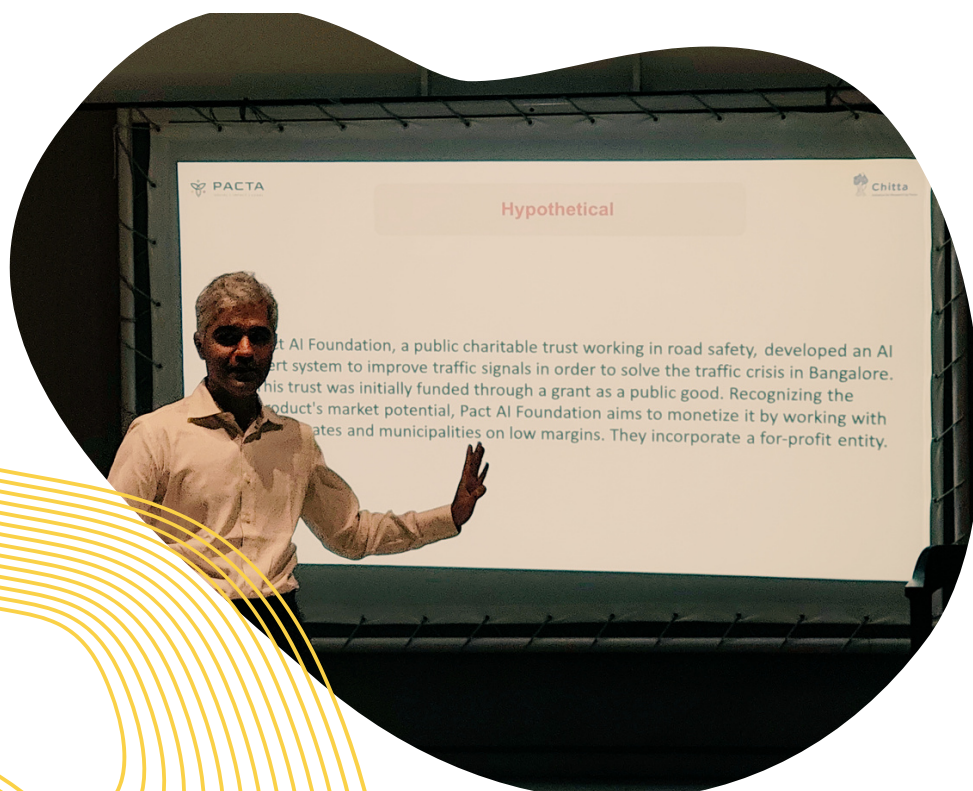


3. Hybrid Governance and Legal Hygiene in Multi-Entity Non-profits

Facilitator: Naman Khatwani

Naman addressed the increasing relevance of hybrid structures, where non-profits establish for-profit entities to carry out revenue-generating activities such as consultancy, training, or product development. He explained why such structures are often necessary, given the restrictions on NGOs under Income Tax and FCRA.

The session examined governance risks when trustees or directors hold positions across entities, the importance of keeping funds strictly segregated, and the need for clarity in intellectual property ownership and brand use. Participants also learned about mandatory reporting requirements: filing Form 10A/10AB with the IT Department for charter amendments, Form FC-6E with MHA for FCRA changes, and ROC filings for Section 8 companies. The session reinforced that hybrid models can unlock opportunities but require meticulous legal hygiene and governance safeguards.



4. New-Edge Compliance: Data, AI, and Intellectual Property

Exploring Impact of the new DPDP ACT & Rules for CSOs

Facilitator: KK Prahalad

Prahalad addressed the implications of India's new Digital Personal Data Protection (DPDP) Act and Draft Rules for civil society organisations (CSOs). He introduced the core concepts such as Data Principals, Data Fiduciaries and Data Processors. The session highlighted the importance of consent, comprehensive notices, data minimisation and retention limits. Prahalad discussed practical obligations including appointing a Data Protection Officer, entering into data-sharing agreements, implementing security safeguards, and ensuring compliance when working with service providers. Special focus was given to children's and persons with disabilities' personal data, emphasising the need for verifiable parental or guardian consent and restrictions on tracking. Sector-specific implications for education and healthcare organisations were also shared, underscoring the need for CSOs to adopt comprehensive data protection policies and accountability mechanisms.

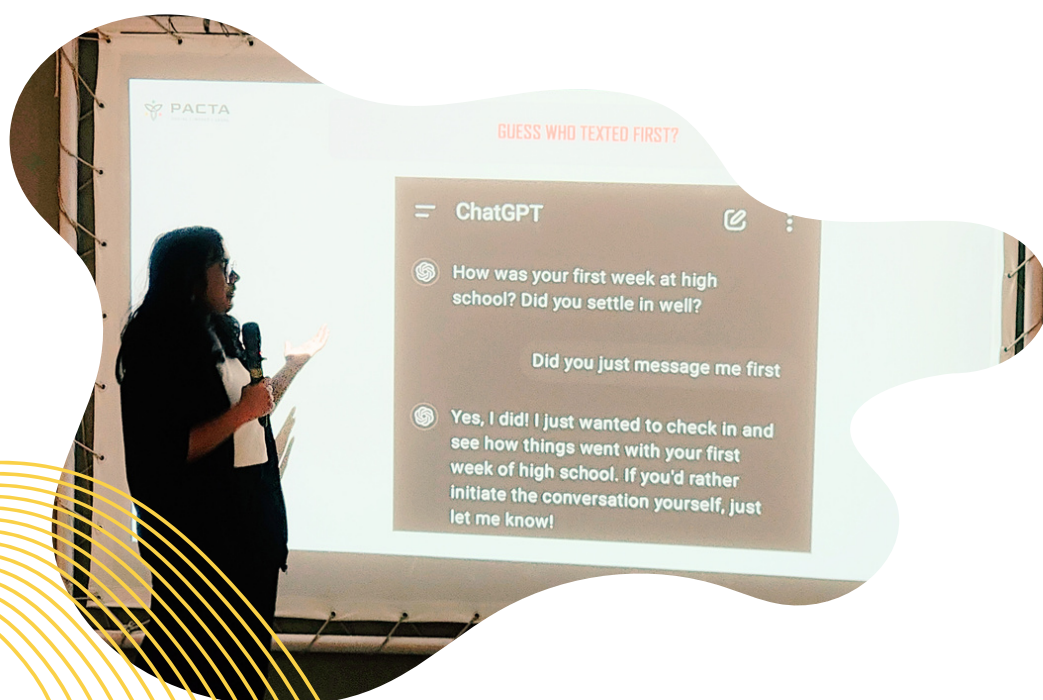


4. New-Edge Compliance: Data, AI, and Intellectual Property

Gen AI Unplugged

Facilitator: Lathangi G

Lathangi unpacked the risks, responsibilities, and opportunities surrounding generative AI for non-profits by presenting insights drawn from the terms and conditions across various generative AI platforms. She highlighted risks including data protection, hallucinations, bias, training on user inputs, and accuracy disclaimers. To address these, a set of “guardrails” was proposed: confidentiality, bias awareness, purpose limitation, continuous learning, and human oversight. The session also emphasised the importance of drafting an AI usage policy tailored to NGOs, with annexed do’s and don’ts for participants. These covered areas such as responsible use of AI tools, verifying outputs before adoption, ensuring transparency with donors and grantees, protecting confidential data, anonymising beneficiary information, and only using AI for analysis after removing identifiers. By grounding AI adoption in ethics, transparency, and compliance with data protection laws, the session encouraged NGOs to approach generative AI as a tool that can be used responsibly while safeguarding trust and accountability.



5. GST Essentials for Non-profits

Facilitator: Abhinesh T

Abhinesh guided participants through the applicability of GST to non-profit activities. He clarified that non-profit status alone does not grant exemption; GST liability depends on the activity and funding terms. Philanthropic donations may be exempt, but research grants and CSR-funded projects can attract tax when tied to deliverables.

He explained the thresholds for GST registration, obligations for filing returns, and annual reconciliation requirements. The session also addressed challenges of input tax credit for organisations with mixed sources of income.



6. Employment and Labour-related Compliances, Policies, and Documentation

Facilitator: Naman Khatwani

This session focused on human resource compliance as a cornerstone of governance. Naman outlined distinctions between employees, consultants, fellows, and foreign workers, emphasising that each category attracts different obligations. He explained the application of PF, ESI, gratuity, maternity benefits, and minimum wage laws, and clarified common misunderstandings, such as the requirement for non-profit organisations also to be registered under the Local Shops and Establishments Act.

The session covered key aspects of employment agreements, including job descriptions, termination terms, confidentiality clauses, and data protection provisions. Statutory requirements under the Local Shops and Establishments Act, such as display norms and name board regulations in Karnataka, were also addressed. By the end, participants recognised that compliance in employment is not only about statutory filings but also about establishing fair, transparent, and legally sound organisational practices.

Key Speakers Briefs

1. Income Tax Scrutiny for Non-Profits

Facilitator: Satish Kumar Singh N, IRS (Retd.)

This session offered the participants practical guidance on managing income tax scrutiny within India's faceless assessment system. It emphasised prompt and comprehensive responses to notices, well-organised documentation, and compliance for administrative expenses, CSR funds, corpus donations, and commercial activities. Participants were guided on record retention, appeals, and demonstrating organisational activities effectively in a digital assessment environment.



2. Navigating Income Tax Compliance for Charitable Organisations

Facilitator: O P Yadav, IRS (Retd.)

This session provided NGOs and charitable organisations with practical guidance under India's new Income Tax Act 2025. It focused on unified registration processes, documentation standards, stricter rules for commercial activities and corpus donations, and accurate claims. Participants explored strategies for minimising penalties, maintaining defensible digital records, and managing faceless assessments effectively.



Testimonials

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As someone who's also new to the operations space, the focus on compliance has been very helpful for me, and I'll be able to take these learnings back to my organisation and ensure that we do the best we can.

- Shreeja s

Director of Operations,
Animal Law & Policy
Network

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The session was interactive and informative, offering valuable insights from dignitaries, including members of the sitting Commissionerate of Income Tax.

- Gagan Bhatia

Senior Programme Manager,
Foundation for Ecological
Security

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Pacta is giving that platform to us to pre-plan all the documentation, all the legal and the compliances.

-Pooja Kushwaha

Accounts Executive,
Protsahan India Foundation

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This is a great platform for beginners to learn more about income tax, FCRA, and related compliance.

-Jyothi Hariharan

Senior Accountant, Diya Ghar

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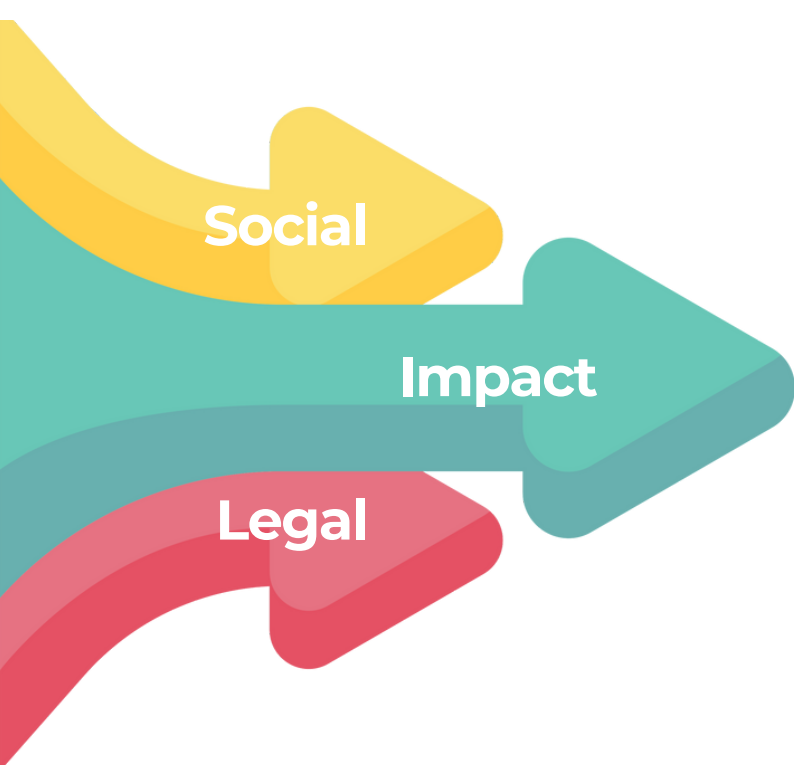
Closing Note

Learning Spaces 2025 concluded by reaffirming something we hold dear: that law can be made sensible, affordable and actionable. In a complex regulatory environment, the workshop offered practical tools and hands-on learning, helping organisations navigate tax, FCRA, GST, labour, and emerging compliance challenges.

We believe that limited resources should not prevent organisations from taking part in learning opportunities. Participation fees were subsidised for attendees who needed support, including those from disability-focused organisations. The direct engagement with senior officials helped participants navigate complex provisions and strengthened their confidence in compliance.

What makes Learning Spaces unique is its practice-based, interactive format. Participants left not only with practical resources and tools, but also with the experience of working through real-world challenges alongside experts and peers. Over time, we hope to foster a community of social sector practitioners with broad expertise and tools, making legal knowledge less 'alien' or intimidating.

At Pacta, we see ourselves as co-learners in the journey. We remain committed to supporting NGOs legal needs - through tailored capacity-building efforts that address their unique needs and challenges, open source knowledge and tools and accessible legal services.



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We will be back soon with the next Learning Spaces!

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As India's only social sector law firm, we believe that legal services for non-profits need a nuanced approach, one that is aligned with the ethics of public service

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