

Maharashtra Charity Commissioner allows investment in listed shares, mutual funds etc.

5 August 2025

Introduction

Charity Commissioner of Maharashtra vide circular no. 619 dated 21 July 2025 (Circular) has granted general permission to public trusts, as defined and registered under Maharashtra Public Trusts Act (Act), to invest up to 50% of trust money in specified securities such as listed shares, units of mutual funds, etc. (refer below).

Background

In terms of section 35 of the Act, where the trust money could not be applied immediately or at any early date to the purposes of the public trust, the trustees of such trust are required to deposit the said money in scheduled bank / postal savings bank / co-operative bank approved by the state government, or invest in public securities (as defined in section 2(12) of the Act). Investment in any other manner requires prior approval of the Charity Commissioner. This requirement creates an administrative burden, as trustees are required to file applications for approval each time as aforesaid.

Notably, section 20 of the Indian Trusts Act, 1882, was amended in 2016 to permit the trustees to invest trust money in any of the securities as notified by Central Government. The notification for the same was issued by Ministry of Finance (Department of Economic Affairs) on 21 April 2017 listing out the specified securities for the purpose of the said section.

However, public trusts covered by the Act required prior approval under section 35 of the Act to invest the trust money in the securities specified in the above-mentioned notification also.

Circular no. 619 dated 21 July 2025

Now, vide circular no. 619 dated 21 July 2025, the Charity Commissioner has issued a general order permitting the trustees of public trusts to invest upto 50% of the trust money in the following securities (as specified in the above-mentioned notification):

- (a) **Government securities;**
- (b) **Guaranteed securities:** *securities, the principal whereof and the interest whereon is fully and unconditionally guaranteed by the Central Government or any State Government;*
- (c) **Debt mutual funds:** *units of debt mutual funds regulated by the SEBI;*
- (d) **Listed debt securities:** *listed (or proposed to be listed on exchange in case of fresh issue) debt securities issued by any body corporate, including a bank and a public financial institution as defined in clause (72) of Section 2 of the Companies Act, 2013, which have a minimum residual maturity period of 3 years from the date of investment;**

- (e) **Listed basel III Tier-1 Bonds:** *Basel III Tier-I bonds issued by a scheduled commercial bank under guidelines issued by the RBI, which are either listed or are proposed to be listed on an exchange;**
- (f) **Listed infrastructure debt instruments:** *the infrastructure related debt instruments listed or proposed to be listed in case of fresh issue:**
 - (i) *debt securities issued by a body corporate engaged mainly in the business of development or operation and maintenance of infrastructure, or development, construction or finance of low cost housing;*
 - (ii) *securities issued by an infrastructure debt fund operating as a NBFC and regulated by the RBI;***
or
 - (iii) *units issued by an infrastructure Debt Fund operating as a Mutual Fund and regulated by the SEBI;*
- (g) **Listed shares:** *shares of body corporates listed on any recognised stock exchange which has a market capitalisation of not less than INR 5,000 crore as on the date of investment;*
- (h) **Units of mutual funds:** *units of mutual funds regulated by the SEBI, which have minimum 65% of their investment in shares of body corporates listed on a recognised stock exchanges;*
- (i) **Exchange traded funds or index funds:** *exchange traded funds or index funds regulated by the SEBI which replicate the portfolio of the BSE Sensex or the NSE Nifty, or those constructed specifically for disinvestment of shareholding of the Government of India in a body corporate;*

* Investment under clauses (d), (e) and (f) mentioned above shall be made only in such securities which have minimum AA rating or equivalent in the applicable rating scale from at least two credit rating agencies registered with the SEBI under the SEBI (Credit Rating Agency) Regulations, 1999;

** In case of investment under sub-clause (ii) of clause (f), the ratings shall relate to the non-banking financial company and for that sub-clause, the ratings shall relate to the investment in eligible securities rated above investment grade of the scheme of the fund

Comments

The Circular is a welcome move as it eases the administrative burden on public trusts, simplifies the investment framework applicable on them under the Act, and enables efficient treasury management. Notably, under the Income-tax Act, 1961 also, charitable trusts are permitted to invest their funds in certain prescribed modes of investments only (such as mutual funds, etc).

- *Raghav Kumar Bajaj (Counsel) and Vishal Samnani (Senior Associate)*



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