

IN THE INCOME TAX APPELLATE TRIBUNAL  
DELHI BENCHES : E : NEW DELHI

BEFORE SHRI G.S. PANNU, HON'BLE VICE PRESIDENT  
AND  
SHRI ANUBHAV SHARMA, JUDICIAL MEMBER

ITA No.163/Del/2024  
Assessment Year: 2021-22

National Lubricating Grease  
Institute India Chapter,  
R & D Centre, Sector 13,  
Faridabad,  
Haryana – 121006.

Vs

CIT, Exemptions,  
Chandigar.

PAN: AAATN7389M

(Appellant)

(Respondent)

Assessee by : Shri Salil Aggarwal, Sr. Advocate;  
Shri Mahir Aggarwal, Advocate; &  
Shri Madhur Aggarwal, Advocate  
Revenue by : Shri Subhra Jyoti Chakraborty, CIT-DR

Date of Hearing : 09.05.2024

Date of Pronouncement : 27.05.2024

ORDER

PER ANUBHAV SHARMA, JM:

The assessee has filed the present appeal against the order dated 30.11.2023 passed by the CIT (Exemptions), Chandigarh (hereinafter referred to as 'the Competent Authority') whereby the application of the assessee for registration u/s 12AB of the Income Tax Act, 1961 (hereinafter referred as 'the Act') in Form No.10AB was dismissed.

2. Heard and perused the record. The dismissal of the application of the assessee for registration u/s 12AB of the Act has been challenged by raising the following grounds:-

*“1. That the learned Commissioner Income tax (Exemptions), Chandigarh has grossly erred in law and on fact in refusing to renew the registration to the appellant society under section 12AB/ 12AA of the Act.*

*2. That the learned Commissioner of Income Tax (Exemptions) has grossly erred in failing to appreciate that the objects of the appellant society are wholly charitable in nature which were also duly backed and supported by the activities so undertaken by the appellant society and as such, the denial of exemption is completely unjust and untenable both in law and on facts.*

*2.1 That the learned Commissioner of Income Tax (Exemptions) failed to appreciate and understand the detailed explanations and replies furnished by the assessee - appellant containing the details of activities, receipts and expenditures, which have all been misconstrued and misunderstood by CIT (E) while denying exemption to the assessee - appellant.*

*2.2 That the learned Commissioner of Income Tax (Exemptions) has completely ignored that the society has organized various conference/seminars to impart technical education for promoting, encouraging and developing the growth of lubricating greases and its application and any surplus which arose was only incidental to the main activity of the assessee - society, which was also further utilized for charitable activities by the assessee - society.*

*3. That the learned Commissioner of Income Tax (Exemptions) has further erred in passing the impugned order, purely on assumptions, presumptions, surmises and conjectures in holding that assessee society is not working for welfare of general public at large, and not granting proper education, which is also contrary to material available on record.*

*4. That the learned Commissioner of Income Tax (Exemptions) has erred in law and on facts by not giving any fair and proper opportunity of being heard to the appellant, and also relying on the case laws not applicable on the facts of the assessee - appellant.”*

3. The Id. AR has submitted that the competent authority has fallen in error in alleging that the assessee claiming itself to be a charitable entity is working for the benefit of a specific group of participants/stakeholders. In this regard, the Id. Sr. Counsel has taken us through the copy of Memorandum and Bylaws of the assessee and the comprehensive note on the activities of the assessee to submit that when the activities are in consonance with the MOA and the objects have not been changed over the years, there was no reason to cancel the registration which the assessee had since the year 2001.

3.1 It was then submitted that the Competent Authority has fallen in error in giving a restrictive definition of the scope of education courses on the basis that the assessee is not providing structured courses. The Id. AR has relied the judgement of the Ahmedabad Bench of ITAT in ***Gujarat Safety Council vs. ITO, Exemption Ward, Vadodara, (2020)113 taxmann.com 234*** to submit that ‘the education’ as used in section 2(15) of the Act, should be considered in the light of the objectives of the institution and holding of conferences, seminars, workshops, etc. on ongoing basis are very much covered in the phrase ‘education courses.’

3.2 The Id. Sr. Counsel then submitted that the Competent Authority has fallen in error in getting swayed away by the fact that major expenditure was only on the holding of the conferences and which has generated huge surplus for the assessee as these conferences are being run on charitable basis. The Id. AR

submitted that the nature of activity undertaken by the assessee required holding workshop/conferences for the members/stakeholders of lubricating grease industry and, therefore, reasonable charges were taken.

4. The Id. DR, on the other hand, submitted that there is no error in the findings of Id. CIT (Exemptions), Chandigarh.

5. As we appreciate the material before us and the submissions, it can be seen that the assessee society had commenced its activities on 14.05.1998 and is India Chapter of the National Lubricating Grease Institute, USA. It has been established by a Resolution of NLGI, USA on 27.10.1996. The office bearers and the members of the Society are from the oil companies, i.e., Indian Oil Corporation, HPCL and APAR Ltd., Mumbai. As per the assessee, lubricating grease is a very specific lubricant and the Institute provides a platform for researchers, academia-industry to advance on lubricating grease. The Society works in the following fields without profit motive:-

*“1. Education: The institute conducts annual “education course” for the benefit of research scholars, engineering students and end users. During the course top-faculties on the subject educate students on the fundamentals of lubricating grease and their applications in different industries. Students also visit related industry during the course. This exposure is helpful for students to take suitable decision while selecting their work and in turn industry also gets benefitted as they may recruit such students who already have an exposure on the subject. The specific type of education sources are not available elsewhere in India.*

*2. The Technological Development: Latest developments in the field of science of lubricating grease are mostly carried out by companies and the knowledge is not available in public domain. NLGI-IC conducts lubricating grease inter laboratory correlation program/ Round Robin tests wherein*

*various members of the institute participate. During the annual conference researchers from all around the world present latest research carried out in the field of lubricating grease to the end users. This greatly helps Indian grease industry. The parent body, NLGI USA has devised key tests for grease characterization on which the quality of lubricating grease is determined. The institute also frames specification for advancement of grease product across the globe. This is essential to match with technological advancements happening in the industries such as steel, power, automotive, cement, etc. This important for bossting “Atmnirbhar Bharat” campaign in recent times.*

*3. Environmental Aspects: NLGI-IC has also recognized the importance of taking care of environment. Institute tries to make its annual conference event a carbon neutral one. For this cause NLGI-IC supports tree plantation (through other local NGOs) in the specific area to mitigate carbon emission.”*

#### 5.1 The Society has been formed with the following objectives:-

*“4.1 To promote, encourage and develop the growth of lubricating greases and its applications.*

*4.2 To establish an active association of all those persons, bodies, institutions (private or public) and industries interested in 4.1.*

*4.3 To promote research and development into all aspects of lubricating grease.*

*4.4 To promote the understanding of all matters concerning the manufacturing, handling, selling and use of lubricating grease in India and to facilitate the exchange of information concerning lubricating grease between all interested organizations and individuals.*

*4.5 To disseminate information concerning the developments in lubricating grease and their applications through lectures, courses and workshops and to bring scientist, grease industry representatives, raw material suppliers, packages and users to a common forum.*

*4.6 To publish News bulletins covering information pertaining to the developments and activities in lubricating grease.*

*4.7 To render advice (technical or otherwise) to Government and commercial bodies on matters pertaining to lubricating grease, grease specifications and applications when needed or requested.*

*4.8 To collect technical information with respect to.*

1. *New or improved methods of manufacturing LG.*
2. *New or improved equipments for manufacturing of LG.*
3. *New or improved containers for LG.*
4. *New or improved equipment for dispensing LG.*
5. *New or improved devices for applying LG.*
6. *New consumer requirements for LG.*
7. *Environmental and other regulatory issues.*
8. *Development of new or improved quality and quality control methods.”*

5.2 The aforesaid stands not disputed. It is also not disputed that the major part of the revenue earned by the assessee and also the major expenses incurred pertained only to organization of conferences amongst stakeholders. There is no dispute to the fact that more than 75% of the Revenue is from these conferences and more than 80% of the expenditure is on these conferences only.

5.3 Now we are of considered view that when a Society is formed for a specific objective, then, the beneficiary members or stakeholders would certainly be of that specific field. Every individual of the Society may not be benefitted directly by the activity of this Society, but, the field in which they are working is certainly one which benefits the general public at large. Thus, only because of specific group of participants of lubricating grease industry are directly benefitted cannot be a ground to question the charitable nature of a Society. Reliance in this regard can be placed on the judgement of the Hon’ble Supreme Court of India in *Ahmedabad Rana Caste Association vs. CIT (1971) 82 ITR 704*, wherein the Hon’ble Supreme Court was examining the charitable nature of the activities of an association of persons of Rana caste or community

of Ahmedabad which was doing work for improving education of the community or to give medical help, etc. The Hon'ble Supreme Court had held as follows:-

*“It is well settled by now and the High Court also has rightly taken that view that an object beneficial to a section of the public is an object of general public utility. To serve a charitable purpose it is not necessary that the object should be to benefit the whole of mankind or all persons in a particular country or State. It is sufficient if the intention to benefit a section of the public as distinguished from a specified individual is present. This Court in Commissioner of Income tax, Madras v. Andhra Chamber of Commerce(1) overruled the view of Beaumont C.J. in Commissioner of Income tax v. Grain Merchants' Association of Bombay(2) on the point. It was, however, observed that the section of the community sought to be benefitted must be sufficiently defined and identifiable by some common quality of a public or impersonal nature. Where there was no common quality uniting the potential beneficiaries into a class the trust might not be regarded as valid. In the various orders the clause relating to the beneficiaries has not been clearly and accurately set out. In the petition of appeal dated October 7, 1968 the provisions of the constitution of the assessee are set out and with reference to The community it is stated, "Rana community means natives of Ahmedabad only and the other community brothers accepted by the community as per old rules of the community staying in Ahmedabad". It is common ground that the word " old rules" do not represent the correct translation of the original word in Gujarati which is Riwaj meaning custom. The learned judges of the High Court also, who are conversant with that language, have proceeded on the basis that the correct rendering of the aforesaid word is custom or usage. That is why according to the High Court the definition comprises two classes of members of Rana caste residing in Ahmedabad, one class consisting of those who are natives of Ahmedabad while the other class consists of such persons who are admitted by the Rana caste according to the old custom or usage of the community. The reason which prevailed with the High Court for treating the second class as not being united with the first class by a common characteristic or attribute was that its members have to be accepted by the community according to the old custom or usage and that the entry of the members of this class into the Rana caste residing in Ahmedabad was dependent on the decision of the caste to admit them. We are altogether unable to concur in the approach or the conclusion of the High Court on the above point.”*

5.4 The Hon'ble Rajasthan High Court in the case *CIT (Exemptions) vs. Anesthesia Society (2019) 101 taxmann.com 227 (Rajasthan)*, while examining the charitable purpose with regard to a Society constituted to bring doctors, dealing in anesthesia specialty, together for purpose of inter alia development of medical science, publication of research magazine, to promote research and practical work and to organize seminars, etc., did not accept the plea of the Revenue that the Society was constituted for the benefit of only one branch of medicine, i.e., anesthesia and not for benefiting the entire medical fraternity. The Hon'ble High Court, relying *Ahmedabad Rana Caste Association's* case, had held that: "the education programme and research work to be undertaken by the assessee Society in larger perspective are going to benefit the public at large and, therefore, the activities of the assessee Society do fall within the purview of general public utility so as to make it entitled for registration u/s 12A of the Act." Similarly, the Hon'ble High Court of Rajasthan, Jodhpur Bench, in *CIT vs. Jodhpur Chartered Accountants Society (2003) 127 Taxman 90 (Rajasthan)*, while examining the predominant object of the assessee Society of Chartered Accountants to propagate and disseminate knowledge about commercial laws, tax laws by holding seminars, conferences, workshops, etc., has held that the object to educate at least a particular class of people was a general public utility and the assessee Society fall in the category of charitable institutions. Thus, we are of the considered view that for the reason that members/stakeholders of lubricating grease industry were the only

participants of the conference or workshop does not disentitle the charitable status of the assessee.

6. As regards the objection of the Competent Authority that the assessee was not providing any structured courses by way of seminars and workshops for the lubricating grease industry, we are of the considered view that the Id. Competent Authority has given a very narrow interpretation of the term, 'education' by relying the judgement of the Hon'ble Supreme Court in ***Sole Trustee, Lok Shiksha Sanstan Trust vs. CIT (1975) 101 ITR 234 (SC)***, by observing that there should be normal schooling by way of regular and systematic instructions. The assessee is not seeking any benefit of section 10(23C) of the Act, at this stage, so as to go into the question that seminar, workshops, conferences can be characterized as part of education or incidental to imparting education. What is relevant is that the assessee is established for holding these workshops and conferences for the benefit of the stakeholders of the lubricating grease industry and the advancement of the object which are held to be charitable, then, at this stage of grant of registration genuineness of the activity or the scope of the activity to ascertain whether the Society exists solely for education activity and not for profit could have been examined.

7. Similarly, the generation of surplus alone cannot be a criteria to deny the registration u/s 12A of the Act. When there are other provisions under the Act to account for such surplus. In this regard, as we go through the provisions of

section 12AB, what is required to ascertain is the genuineness of the activities of the Trust or institution and the compliance of such requirements of any other law for the time being in force by the institution. The Id. Competent Authority herself in para 3 has observed as follows:-

*“3. The provisions necessitate examination of two basic conditions for grant of registration u/s 12AB. The same include, apart from the examination of objects of the society, satisfaction of the competent authority in respect of genuineness of activities as well particularly when the applicant is an ongoing entity.”*

8. In the light of the aforesaid, we are of the considered view that the competent authority has fallen in error in denying the registration to the assessee u/s 12AB of the Act. Grounds raised are sustained and the appeal is allowed. The competent authority shall pass an order granting the registration.

Order pronounced in the open court on 27.05.2024.

Sd/-

(G.S. PANNU)  
VICE PRESIDENT  
Dated: 27<sup>th</sup> May, 2024.

Sd/-

(ANUBHAV SHARMA)  
JUDICIAL MEMBER

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Copy forwarded to:

1. Appellant
2. Respondent
3. CIT
4. CIT(A)
5. DR

Asstt. Registrar, ITAT, New Delhi