

आयकर अपीलीय अधिकरण  
पटना पीठ, कोलकाता में  
**IN THE INCOME TAX APPELLATE TRIBUNAL  
PATNA BENCH AT KOLKATA**

[वर्चुअल कोर्ट]  
[Virtual Court]

श्री संजय शर्मा, न्यायिक सदस्य  
एवं  
श्री राकेश मिश्रा, लेखा सदस्य  
के समक्ष  
**Before**

**SHRI SONJOY SARMA, JUDICIAL MEMBER  
&  
SHRI RAKESH MISHRA, ACCOUNTANT MEMBER**

**I.T.A. No.: 223/PAT/2023  
Assessment Year: 2023-24**

Faridi Foundation	Vs.	CIT(Exemptions), Patna
<b>(Appellant)</b>		<b>(Respondent)</b>
<b>PAN: AAATF8906E</b>		

**Appearances:**

**Assessee represented by** : Aakash Agarwal, AR.  
**Department represented by** : Ashok Kumar, CIT.

Date of concluding the hearing : January 27<sup>th</sup>, 2025  
Date of pronouncing the order : January 30<sup>th</sup>, 2025

**ORDER**

**PER RAKESH MISHRA, ACCOUNTANT MEMBER:**

This appeal filed by the assessee is against the order of the Ld. Commissioner of Income Tax (Exemptions)-Patna [hereinafter referred to as the "Ld. CIT (Exemption)"] passed in respect of registration u/s 12A(1)(ac)(iii) of the Income Tax Act, 1961 (hereinafter referred to as "the Act") for AY 2023-24 dated 26.05.2023.

2. The assessee is in appeal before the Tribunal raising the following grounds of appeal:

"1. That the Ld. CIT(Exemptions) has erred in law and on facts by not following the procedure for registration laid out in section 12AB(1)(b) of the



*Income Tax Act, 1961, wherein it is clearly specified that he has to see the genuineness of the activities as well as compliance of such requirements of any other law to satisfy himself for passing an order whereas in the instant case the CIT(Exemptions) has nowhere objected or raised suspicion with respect to the genuineness of the activities of the trust and the compliance of any other law. As such, the rejection made is bad in law.*

*2. That the Ld. CIT(Exemptions) has erred on fact by rejecting the application on the basis that the assessee failed to prove the genuineness of its activities by overlooking the fact that the assessee has furnished the photographic evidences which are in line with the objective of the trust mentioned in the trust deed as well as documentary evidence with respect to expenditure were also furnished. Therefore, rejection of registration u/s 12A(1)(ac) (iii) of the Income Tax Act, 1961 is not correct and the registration should be granted.*

*3. That the Ld. CIT(Exemptions) has erred on facts to note that the assessee trust is a religious trust in whose hand anonymous donations are not taxable u/s 115BBC of the Income Tax Act, 1961, thereby automatically leading to the acceptance towards the nature of receipts in the hands of the assessee trust which are actually collected from masses of people and therefore, the rejection made on this reason is not valid.*

*4. That the Ld. CIT(Exemptions) has erred on facts by falsely alleging the appellant that it has provided the details by making a manipulative exercise without appreciating the fact that the appellant has provided the information as per the working of the trust true and fair and as such, above allegation made is completely baseless.*

*5. That the Ld. CIT(Exemptions) has erred in law by cancelling the provisional registration granted u/s 12A(1)(ac)(vi) of the Income Tax Act, 1961 without following the procedure laid out in section 12AB(4) of the Income Tax Act, 1961 leading to abuse of power vested in the hands of CIT(Exemptions) and the same should not be made.*

*6. That the assessee craves leave to add / alter any of the grounds of appeal on or before the date of hearing.”*

3. Brief facts of the case are that an application in Form No. 10AB was filed on 23.11.2022 by the assessee, Faridi Foundation, for grant of regular registration under sub clause (iii) of clause (ac) of sub-section (1) of section 12A read with section 12AB(1)(b) of the Act. The applicant is a Trust. The address of the Trust is Waliganj, Arrah. The Ld. CIT (Exemption) issued a letter dated 20.12.2022 requiring the assessee to

submit the documents related to notes on activities undertaken by the applicant during the last three years, annual accounts of the applicant for the last three years, evidences in support of the nature/the quantum of receipts received during the last three years, copies of statements of bank accounts for the last three years and the location details etc. On examination of the submission filed by the assessee on 17.01.2023 and 16.05.2023, another letter dated 18.05.2023 was issued calling for the explanation with regard to the proposed rejection of the application for registration of the Trust. The relevant extract from the order of the Ld. CIT (Exemption) containing the show cause notice, the submission made by the assessee and the findings is as under:

*“3. On examination of the submission filed by the applicant on 17.01.2023 & 16.05.2023, a letter dated 18.05.2023 was issued calling for the explanation latest by 22.05.2023 with regard to proposed rejection in the following words:*

*In the course of the proceeding taken u/s 12AB, the applicant was requested to submit copies of bank statements and bank accounts ledgers for the financial year 2022-23 but the assessee did not submit the same. In the Income & Expenditure account for financial year 2022-23 (upto 01.01.2023) donations of Rs. 7035148/- was shown to have been received as general donation and Rs. 943153/- as "donation boxes nafila" expenses of Rs. 2109325/- was shown as expenditure made during the period. The details of expenditures given in Income & Expenditure does not show that any expense has been incurred for any religious or charitable purposes though the deed of the trust shows that the trust has been created for religious and charitable purposes. Evidences in support of the nature and purposes of the expenditures made and details of the target beneficiaries had been called for vide letter dated 20.12.2022 but no compliance was made in this regard by the applicant. In the course of proceedings the applicant submitted a list of persons containing around eighteen thousand names and dates of receipts with mobile numbers who were claimed to have given general donations to the applicant during the financial year 2022-23 (up to 01.01.2023). The list of the alleged donors shows that most of the donations are petty donations mostly in the range of Rs.10/- to Rs.400/- containing mostly odd figures like 149, 34, 39, 93, 61, 861, 68, 22, 353, 242 and so many others like these. All the sums claimed to have been taken in cash. Going through the list it appears the name "Muhammad Jugnu Khan" with*

same address and mobile number and sum of Rs.193/-, Rs.60/- & Rs.91/- claimed to have been received by the applicant separately on the same date 05.04.2022. Similar is the case in respect of "Mohammad Hadees Khan" showing sums of Rs. 106/- & Rs 242/- on 05.04.2022 and other so many such entries were found like these. In the support of the claim neither cash ledger nor bank ledger/bank statement/donation on receipts confirmation from donors even in case of and sum exceeding Rs 1000/- were submitted in the course of proceeding though it had been asked vide letter dated 20.12.2022 to submit the statement of bank accounts with ledger for the financial year 2022-23(up to 01.01.2023) along with evidences in support of nature and source of receipts in the form of confirmation from the alleged donors keeping in view that the applicant has not claimed that such sums have been received as anonymous donations. The applicant only submitted the details of the alleged donors without any corroborating evidences in support of the identities of the donors and nature of receipts as claimed by the applicant.

Further, the applicant also submitted a list of persons containing around five thousand names and dates of receipts with mobile numbers who were claimed to have given "donation boxes nafila" of Rs 943153/- to the applicant during the financial year 2022-23 (up to 01.01.2023). The list of the alleged donors shows that most of the donations are petty donations mostly in the range of Rs. 10/- to Rs. 300/- containing mostly odd figures like 23, 78, 67, 137, 237, 58, 77, 123, 81 and so many others like these. The applicant vide his reply dated 16.05.2023 stated that all the sums had been taken in cash through donation box kept at various shops and places for donations by way of dropping any amount in the boxes fixed therein. But at the same time it furnished the name, address and mobile numbers of these alleged anonymous donors which is self contradictory to the statement made by the applicant as mentioned above.

The above facts and circumstances clearly go to show that the details of the alleged donors given by the applicant reflect totally a unrealistic pattern and therefore, does not inspire confidence as to correctness of the nature of receipts as claimed by the applicant but it compels to believe that the documents and details submitted by the applicant is only a make believe exercise.

In view of above the applicant is requested to explain with supporting evidence latest by 22.5.2023 why the application filed for registration u/s 12AB should not be rejected holding that the applicant failed to prove genuineness of the activities and therefore it is not genuinely working wholly for charitable and religious purposes within the meaning of section 2(15) of I.T Act, 1961 and consequently the provisional registration granted earlier is cancelled.



4. In response to the letter dated 18.05.2023 the applicant filed submission. Through this submission applicant mainly contended that the donations shown were collected by the employees of the trust by going door to door and through donation boxes kept on different places. It was admitted that the sums of money were deposited by their employees by way of making collections from the real donors. The donations received by the known persons were shown as general donations and donations received through donation boxes were accounted for in the names of the persons who collected the sum from donation box and handed it over to the trust. It was also asserted that expenses were made for religious and charitable purposes by way of running Madarsas on various places in the state of Bihar for providing religious and secular/modern education to the muslim children. In support of donations claimed to have received copies of few receipts issued by the applicant using its software/App were submitted. Copies of few bills were also submitted in support of the expenses.

5. Therefore, it was impliedly admitted by the applicant that the names and details appearing in the donors list in respect of FY 2022-23 provided by the applicant in the course of this proceeding was not true but it was a manipulative exercise to make believe that the receipts claimed to have been taken by the applicant trust were really in the nature of donations. While making this attempt the applicant even did not hesitate to furnish the detailed name and other particulars of the anonymous donors who claimed to have given donation by way of dropping the money in donation boxes. During FY 2022-23 the applicant has shown interest from bank and receipts from donations only in the Income and Expenditure Accounts. The details furnished by the applicant with regard to the donors, it has been claimed that the donations were taken in cash but the statement of bank account apparently shows that most of the receipts were taken through banks either through UPI, SAK etc and the names of depositors and amount of deposits appearing in statement of bank account also do not confirm to those appearing in the donors lists furnished by the applicant. Further, the applicant did not furnish the ledger of bank account though it was called for vide letters dated 17.01.2023 and 18.05.2023.

6. The facts and circumstance as mentioned above call in to question the correctness of the claim of the applicant as to the nature of receipts therefore, it is concluded that the applicant failed to prove the genuineness of nature of receipts shown by it in accounts and consequently failed to prove the genuineness of its activities as claimed to have been carried out in accordance with the object of the Trust wholly for religious and charitable purposes. In the result, the application filed in Form 10AB for grant of regular registration under sub clause (iii) of clause (ac) of sub-section (1) of section 12A is rejected.



7. Accordingly, the provisional registration granted u/s 12A(1)(ac) (vi) in Form 10AC dated 31.03.2022 with Unique Registration Number-AAATF8906EE20216 for AY 2022-23 to 2024-25 is also cancelled.”

4. Aggrieved with the order of rejection of the application for registration, the assessee has filed the appeal before the Tribunal.

5. Rival contentions were heard and the submissions made have been examined. Ground nos. 1 & 2 relate to the necessary evidence to be filed before the Ld. CIT (Exemption) including photographic evidences which are said to be in line with the objective of the trust mentioned in the trust deed and documentary evidence with respect to the expenditure was also furnished. Ground no. 4 relates to providing the details as per the working of the Trust which were true and fair and Ground no. 5 relates to cancellation of the provisional registration granted without following the procedure laid out in section 12AB(4) of the Act leading to abuse of power vested in the hands of CIT(Exemptions).

6. It was argued by the Ld. AR that the assessee is a religious Trust and the provisional registration was granted. In response to the notices issued the replies were filed. The assessee receives the donation through crowd funding and it was argued that the nature of the receipts was to be seen at the time of assessment and not at the time of registration. The assessee is a religious Trust and had received anonymous donation. The nature of donors was said to be of two types, one was the donation received through the teachers and the other was general donation received through boxes. It was submitted that in the case of Al-Madina Trust, similar query was raised and the registration was granted while in the case of the assessee, the registration has been refused. The trust, Faridi Foundation, is registered under the District Registry Officer (ARA) Bhojpur. Faridi Foundation was incorporation through a Trust Deed



executed on 29th October 2021, with the sole object as religious trust and other ancillary objects which are subjoin to the main object. To commence its activities, an application for provisional registration was filed vide Form No. 10A, dated 24/03/2022, and the approval was granted vide Form No. 10AC, dated 31/03/2022. Thereafter, an application for final registration vide Form No. 10AB, dated 23/11/2022 was also filed. The assessee submitted evidence for the genuineness of the activities of the Trust which are as under:

- (1) Photographs of the Trust submitted vide reply dated 17/01/2023 and 05/04/2023.
- (ii) Financial Statement for FY 2021-22 and FY 2022-23 submitted vide reply dated 17/01/2023 and 05/04/2023.
- (ii) Bank Account statement of the Trust submitted vide reply dated 17/01/2023 and 05/04/2023.
- (iv) Bills of expenses along with payment of salary was also furnished submitted vide reply dated 05/04/2023 and 22/05/2023.
- (v) Finally with respect to income of the trust, donation receipts were submitted vide reply dated 22/05/2023 furnished.

7. It is submitted that the Commissioner of Income Tax (Exemption) in Paras 3 and 5 of his order dated 26/06/2023 raised contention for rejecting the application for registration under section 12A. Explanation enumerated at Para 1.4 and 1.8 of Paper Book -1 at Page no. 5 clearly envisages the fact and elucidates the mechanism of discharging the objects of the Trust. In its submission dated 22/05/2023 before the Commissioner of Income Tax (Exemptions), Patna at Paras 1.4, 1.5 and 1.6, the assessee provided an exhaustive explanation about the working of the Trust and point wise rebuttal to each and every query raised. It is submitted that the Paper Book-II Page No. 4 at Para 2 (precisely at Para 2.2 and 2.3) clearly delineates the modus operandi being adopted



by the Trust and at sub-para (g) of Para 2.3, evidence has been furnished elucidating the substantiation of donation received and how it appears in the bank statement and donors list. The case laws have been furnished from Annexure No. 13 to 22 of Paper Book - I, wherein it is enumerated that the Commissioner of Income Tax (Exemption) is required to examine the objects of the trust only while granting the registration under section 12A. The assessee has also relied upon the judicial pronouncement of ITAT Kolkata in the case of Dr. B.G. Memorial Trust vs Commissioner of Income Tax (Exemption) wherein it is held that even if the donations are bogus, registration 12A cannot be denied on this ground. It is submitted that section 115BBC of the Income Tax Act, 1961 provides clarity that a religious trust may not be able to keep a record of identity of the people providing anonymous donation. Hence sub-section (2) of section 115BBC explicitly excludes the religious trust as well as religious and charitable trust. It is further submitted that the Ld. CIT (Exemption) nowhere doubted the compliance with any other law for the time being in force and a declaration was also filed vide response dated 17.01.2023. The Ld. CIT (Exemption) also had no contrary view relating to the objects of the Trust and only on the basis of genuineness of nature of receipt, the genuineness of the activities of the Trust has been doubted. Vide para 2.3 of the written submission filed in respect of the funding, the assessee has submitted as under:

*“2.3. In addition to the submission furnished above, we would like to put forth our submission and explain the working of the trust, with documentary evidence, so as to substantiate that the nature of receipts are genuine in nature. To understand that, we would draw your Honors attention to the principal of mass funding to receive donations and fulfil the objects as laid in Trust Deed.*

*Principal of mass funding: The appellant has adopted two methods of collecting donation to achieve its objects: -*

*i) General Donation*

*a) The employees of the Trust who are preachers / Teachers of Islam, travel to various districts, villages, blocks, grams sabha's, Mohalla's and masjids located in these areas, where the said Teachers conduct small gathering for spiritual training of Islam.*

*b) People attending such gathering are from weakest section of the society and as per their scriptures as taught by the prophet, they are required to donate. Amount being donated by such people are meagre and as low as 21, on receipt of the said cash money the Teachers record the amount collected from each doner on a mobile app being originated for this purpose.*

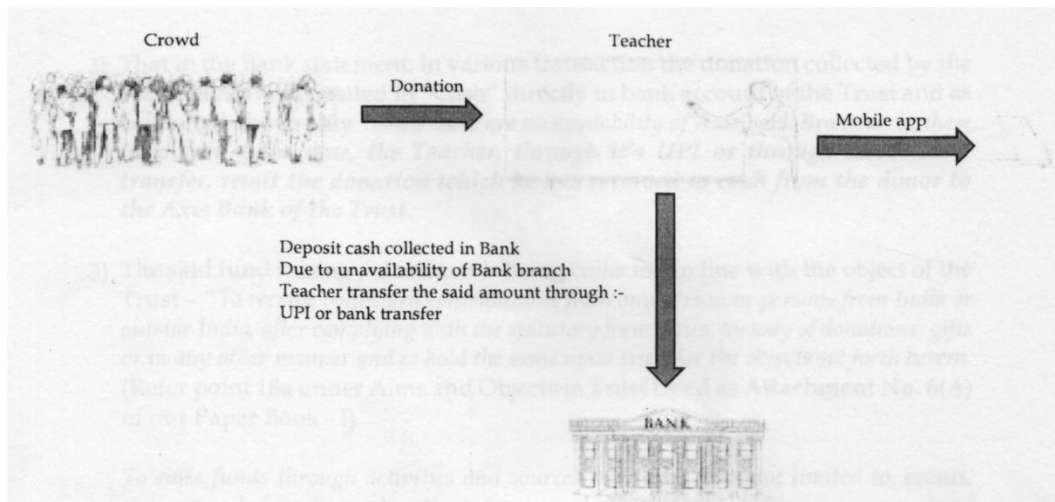
*c) Mobile app generates an online acknowledgement receipt for each amount of payment received after name, address and mobile number of these doners are imbibed in the app.*

*d) Through this process the Trust is becoming aware on a real time basis the amount of cash which has been collected by the Teacher, collectively as well as from each donor too. The Teacher is required to deposit the said cash collection in the bank account of the Trust through the nearest Bank (Axis Bank) Branch, since the Teacher is in remote part of the city and may be on a travel plan for next few days covering various blocks, villages, thus there are no availability of Axis bank Branches in this rural part of the states. Thus, the Teacher, through its UPI or through direct bank transfer, remit the donation which he has received in cash from the donor to the Axis Bank of the Trust.*

*e) The cash collected from these donors is recorded in the Books of Trust as Cash donation in the cash Book for the consolidated value of cash collected by the Teacher from a particular visit and the said amount deposited by the said Teacher through UPI / bank transfer is also recorded as Cash deposited in Bank as the Bank ledger of the Trust. The trust is recording the said transaction in "Cash" as the amount has been collected in Cash only by the Trust from the donor through its Teacher, thus the real / factual nature of transaction is recorded in our books.*

*f) Thereafter on receipt of donation from a spiritual campaign or from a door-to-door campaign, Teachers are required to deposit the cash so collected in the bank account of the Trust. Sometimes due to non-availability of the bank branch in remote areas, the teachers transfer amount from their own bank account through UPI or direct transfers as they are on a tour plan covering various blocks, villages.*

*The same is explained with the help of diagram as stated below:-*



*g) To substantiate our claim, we have prepared a detail wherein the following particulars appear in the serial order as under: -*

- 1) The screenshot of bank statement depicting the credit in the bank account of the Trust from the teachers.*
- 2) The detail of donors from whom the amount of general donation is received via door-to-door campaign or other spiritual campaigns.*
- 3) The screenshot of UPI app is attached evidencing that the said amount was transferred via UPI of the teacher collecting the donation.*

*(Refer Attachment No. 2.3 for the copy of substantiation prepared of donations received)*

*h) From the above-mentioned attachment it is clear that the donations were first received by teacher during their spiritual campaign and door-to-door campaign. The teacher on receipt of donation first records the details of the donor in the mobile app of the Trust. Thereafter, on conclusion of the spiritual campaign the teacher either deposit the said amount in bank account of the Trust in cash or transfer the said amount via UPI due non-availability of bank branch or if another connecting tour of the teacher is scheduled.*

*i) As explained above only "when there are no availability of Axis bank Branches in these rural part of the state, the Teacher, through it's UPI or through direct bank transfer, remit the donation which he has received in cash from the donor to the Axis Bank of the Trust.*

*Further it can be seen that in various scenarios the donation collected by the Teachers are deposited in "Cash" directly in bank account of the Trust.*

*1) The trust is recording the said transaction in "Cash" as the amount has been collected in Cash only by the Trust from the donor through its Teacher,*

thus the real / factual nature of transaction is recorded in Cash books as well as Bank Book of the Trust.

2) That in the Bank statement, in various transaction the donation collected by the volunteers are deposited in "Cash" directly in bank account of the Trust and as explained above only "when there are no availability of Axis bank Branches in these rural part of the state, the Teacher, through it's UPI or through direct bank transfer, remit the donation which he has received in cash from the donor to the Axis Bank of the Trust.

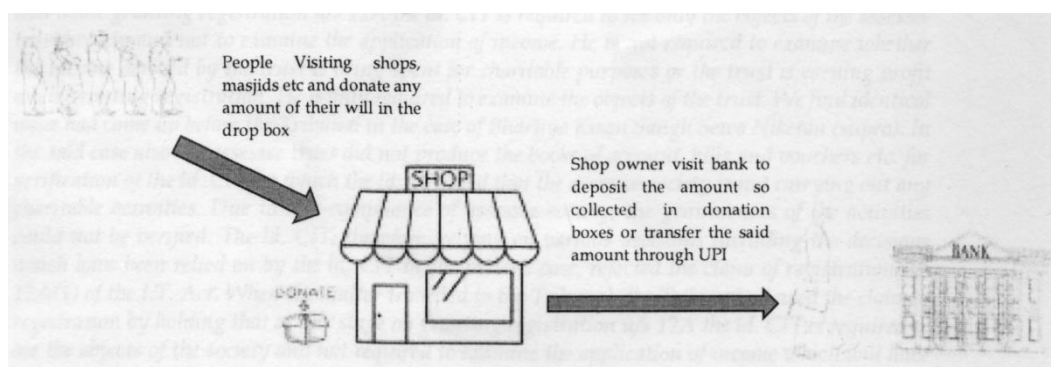
3) The said fund raising / donation is being collected in line with the object of the Trust - "To receive voluntary contributions from any person or persons from India or outside India, after complying with the statutory formalities, by way of donations, gifts or in any other manner and to hold the same upon trust for the objects set forth herein. (Refer point 18a under Aims and Objects in Trust Deed as Attachment No. 6(A) of our Paper Book - I)

To raise funds through activities and sources including, but not limited to, events, programs, charity shows, donations, corpus and recurring grants from government and other sources, one-off contributions from individuals, corporate and other organisations, a percentage or fixed amount as contribution. (Refer point 18b under Aims and Objects in Trust Deed as Attachment No. 6(A) of our Paper Book - 1)

#### ii) Donation Boxes

a) The Trust has installed donation boxes at various shops, Masjids, Homes across city. Any person visiting to any of these places can easily donate any amount of his will for the purpose of religious and charitable activity being carried out by the Trust.

b) Premise owners are responsible to look after the boxes installed at their respective place and thereafter, they deposit the amount so collected in the bank account of the Trust. Donation received via donation boxes are meagre in amount when seen in individuality of donation received per person but constitute a reasonable amount when looked upon in aggregate. The same is explained with the help of diagram stated as under:-



c) The Ld. Commissioner of Income Tax (Exemptions) contended that the applicant had furnished details of anonymous donors who had given donation via donation boxes.

Reproduced as under: -

"5.... the applicant even did not hesitate to furnish the detailed name and other particulars of the anonymous donors who claimed to have given donation by way of dropping the money in donation boxes"

The Ld. Commissioner of Income Tax (Exemptions) failed to observe that the details furnished for the donations boxes (Nafila) were details of shop owners/People where the donation boxes were installed and not the details of donors who dropped any amount of their will in the donation boxes.

d) It is evident from the above diagrammatic presentation of Nafila that people visiting shops, masjids etc drop any amount of their will in the donation boxes that are installed in their shops, masjids etc. It is thereafter responsibility of the shop owner or head priest to open the donation box count the sums so received in aggregate and deposit the cash in bank account of the appellant or as per their will and convenience transfer the said amount via UPI in the bank account of the Trust.

e) The entire process of depositing the cash receipt in donation boxes is same as explained already above in case of general donation starting from booking the same as cash receipt in our books to transfer of said fund in the bank account of the entity."

8. It is stated that the Ld. CIT(A) is required to examine the genuineness of the activity and not the genuineness of the receipts or donations and information and the documents including details of donation received furnished by the assessee has been ignored by the Ld. CIT (Exemption). A query was raised by the Bench as to how much amount was collected through which teacher and whether such details were available, to which the assessee stated that the donations collected through apps was submitted to the Trust and the details could be collated and the teachers remit the money through UPI using the internal application of Faridi Foundation.

9. We have considered the submissions made. The assessee also submitted vide paper book – II page 64, 65 that similar query was raised



in the case of Al-Madina Trust whose objectives are also similar and to whom the final registration was granted and, therefore, there is no justification for the Ld. CIT (Exemption) to reject the application for registration in the case of the assessee. We understand that on similar facts the registration had been granted to another similar Trust subsequently, hence the Ld. CIT (Exemption) was not justified in rejecting the application of the assessee. Therefore, the order of Ld. CIT (Exemption) is set aside. The assessee shall file details of donation received through each teacher which may be examined by the Ld. CIT (Exemption) as the required correlation was not submitted before him. The assessee shall also file evidence for genuineness of the activities of the Trust along with necessary supporting documents and the Ld. CIT (Exemption) shall consider the same and thereafter decide the application for final approval in accordance with law considering the application of income for charitable purposes claimed by the assessee.

10. In the result, the appeal filed by the assessee is allowed for statistical purposes.

***Order pronounced in the open Court on 30<sup>th</sup> January, 2025.***

Sd/-

**[Sonjoy Sarma]**  
Judicial Member

Sd/-

**[Rakesh Mishra]**  
Accountant Member

Dated: 30.01.2025

*Bidhan (P.S.)*



*Copy of the order forwarded to:*

1. **Faridi Foundation, Near Madrasatul Madina Faizane Attar, Mohalla Waliganj, Arrah, Bhojpur, Bihar, 802301.**
2. **CIT(Exemptions), Patna.**
3. CIT(A)-
4. CIT-
5. CIT(DR), Patna Bench, Patna.
6. Guard File.

*// True copy //*

By order

Assistant Registrar  
ITAT, Kolkata Benches  
Kolkata