

**IN THE INCOME TAX APPELLATE TRIBUNAL
'B' BENCH : BANGALORE**

**BEFORE SHRI LAXMI PRASAD SAHU, ACCOUNTANT MEMBER
AND
SHRI SOUNDARARAJAN K., JUDICIAL MEMBER**

ITA Nos. 378 & 379/Bang/2025
Assessment Year : NA

M/s. MNNIT Alumni Excellence Foundation, D-515, Divyashree 77 Palace, Yemlur Main road, Bangalore – 560 037. PAN: AAGTM7820A	Vs.	The Commissioner of Income Tax (Exemptions), Bangalore.
APPELLANT		RESPONDENT

Assessee by	:	Shri Vaidyanathan, CA
Revenue by	:	Shri E. Shridhar, CIT-DR

Date of Hearing	:	29-04-2025
Date of Pronouncement	:	25-06-2025

ORDER

PER SOUNDARARAJAN K., JUDICIAL MEMBER

These are the appeals filed by the assessee challenging the rejection orders passed by the Ld.CIT(E), Bangalore dated 27/12/2024 in which the approval sought for u/s. 80G(5) of the Act as well as the registration sought for u/s. 12AB of the Act were rejected.

2. The assessee raised the following grounds in respect of the rejection of the approval u/s. 80G(5) of the Act.

“1. The learned CIT (Exemptions) erred in mischievously observing in Para 4.1 of the order that Appellant has not submitted the details of lab equipment purchased, in spite of appellant giving all details as demanded by the CIT (E) in the questionnaire dated 14/10/2024 and also offering

to furnish any further details/clarifications as may be required during the course of personal hearing with ITO.

2. The learned CIT (Exemptions) erred in overlooking details of bills and payments available in the Appellant's file in connection with application under section 12AB filed with CIT (E) and which was available with the ITO at the time of personal hearing wherein Appellant's offer to give one more set of copy of bills and payments was declined and appellant was told that they will refer to section 12AB application for bill details.

3. The learned CIT (Exemptions) erred in making a casual observation that development of prototype of driverless car appears to be commercial in nature without elaborating on how she has come to such conclusion.

4. The CIT (E) has wrongly rejected the Appellant's claim for exemption under Section 11 of the Income Tax Act by overlooking the fact that the Appellant, as a charitable trust, is engaged in promoting research and development (R&D) activities in technology, which includes funding pioneering projects like the development of a driverless vehicle prototype. The Appellant does not derive any commercial benefit, either directly or indirectly, from such activities. This oversight by the CIT (E) disregards the clear objectives of the Trust and its alignment with the welfare of society.

5. The CIT (E)'s casual observation undermines the vital contribution of Motilal Nehru National Institute of Technology, Prayagraj, a government institution of national eminence, in the development of cutting-edge technology, specifically driverless car technology. The development of such a high-impact technology holds immense national significance and potential benefits for India, yet the CIT (E) has failed to give due recognition to this fact.

6. The Appellant has funded the research project in line with its core objective of promoting technological R&D and innovation for the benefit of society. The CIT (E) has incorrectly assessed the charitable nature of the activities by focusing on a narrow interpretation that fails to appreciate the broader purpose of advancing scientific and technological knowledge.

7. The Appellant's involvement in the funding of the driverless car project does not constitute a commercial or business activity. The Trust does not engage in any form of profit-making or commercial gain from the R&D activities it

supports, thus further justifying the charitable nature of its objectives and funding.

8. The Appellant has diligently submitted all documents and information as per the CIT (E)'s questionnaire dated 14/10/2024. Furthermore, the Appellant has explicitly offered to provide any additional documents or clarifications that may be required by the CIT (E) to process the application for approval under section 80G(5). The responsibility to request any further information lies with the CIT (E), and the Appellant has fully cooperated in this regard.

9. The Appellant firmly asserts that it has complied with all the necessary conditions for approval under section 80G (5), as required under the law. However, the CIT (E) has unjustifiably rejected the Appellant's application without providing a clear, substantiated reason for such a decision. This lack of clarity and reasoning is not only contrary to established procedural norms but also infringes on the principles of natural justice.

10. The Appellant respectfully craves leave to add, delete, or modify any of the grounds mentioned herein, should the need arise, in order to fully address and substantiate the issues at hand during the course of the proceedings.

PRAYER: The Appellant respectfully prays that the decision of the CIT (E) be set aside, and the application for approval under section 80G(5) be processed favorably, as the Appellant has complied with all required conditions and provided all requested documentation.”

3. Similarly the assessee raised the following grounds in respect of the registration sought for u/s. 12AB of the Act.

“1. The learned CIT (Exemptions) erred in mischievously observing in Para 4.1 of the order that Appellant has not submitted the details of lab equipment purchased, in spite of appellant giving all details as demanded by the CIT (E) in the questionnaire dated 12/12/2024 and also offering to furnish any further details/clarifications as may be required during the course of personal hearing with the ITO.

2. The CIT (E) has wrongly rejected the Appellant's claim for exemption under Section 11 of the Income Tax Act by overlooking the fact that the Appellant, as a charitable trust, is engaged in promoting research and development (R&D) activities in technology, which includes funding

pioneering projects like the development of a driverless vehicle prototype. The Appellant does not derive any commercial benefit, either directly or indirectly, from such activities. This oversight by the CIT (E) disregards the clear objectives of the Trust and its alignment with the welfare of society.

3. The Appellant has diligently submitted all documents and information as per the CIT (E)'s questionnaire dated 12/12/2024. Furthermore, the Appellant has explicitly offered to provide any additional documents or clarifications that may be required by the CIT (E) to process the application for approval under section 12AB. The responsibility to request any further information lies with the CIT (E). and the Appellant has fully cooperated in this regard.

4. The Appellant firmly asserts that it has complied with all the necessary conditions for approval under section 12AB, as required wider the law. However, the CIT (E) has unjustifiably rejected the Appellant's application without providing a clear, substantiated reason for such a decision. This lack of clarity and reasoning is not only contrary to established procedural norms but also infringes on the principles of natural justice.

5. The Appellant respectfully craves leave to add, delete, or modify any of the grounds mentioned herein. should the need arise, in order to fully address and substantiate the issues at hand during the course of the proceedings.

PRAYER: The Appellant respectfully prays that the decision of the CIT (E) be set aside, and the application for approval under section I 2AB be processed favorably, as the Appellant has complied with all required conditions and provided all requested documentation.”

4. The brief facts of the case are that the assessee is a charitable institution registered under the provisions of the Income Tax Act and the objects of the trust are to establish, maintain schools and colleges, to give stipends, scholarships and monetary aids to the students and scholars etc. This trust was formed by the alumini of Motilal Nehru National Institute of Technology one of the reputed institutes run by the Government of India. The said trust applied for the approval u/s. 80G(5) of the Act on 26/06/2024 and applied for the registration u/s. 12AB of the Act on 29/10/2024. The Ld.CIT(E) issued a notice on 14/10/2024 in respect of

the approval sought for u/s. 80G(5) of the Act and issued a notice on 12/12/2024 in respect of the registration sought for u/s. 12AB of the Act. The assessee also appeared in person and filed the details sought for by the Ld.CIT(E). The Ld.CIT(E) extracted the donations received, corpus funds and expenses incurred by the trust and alleged that the expenses incurred like the purchase of the lab equipment and the seminar expenses are not related to the objects of the trust. Further, the Ld.CIT(E) had observed that another project of developing a prototype of driverless car appears to be in commercial in nature. The Ld.CIT(E) without giving further opportunity had rejected both the applications.

5. It is the case of the assessee that all the details were furnished before the Ld.CIT(E) but unfortunately the Ld.CIT(E) had misunderstood the facts and rejected the applications. As against the said rejection orders, the assessee is in appeals before this Tribunal.

6. At the time of hearing, the Ld.AR submitted that a detailed reply was filed in respect of the details sought for by the Ld.CIT(E) and therefore the rejection of the approval as well as the registration are not correct.

7. The Ld.DR relied on the orders of the Ld.CIT(E) and prayed to dismiss the appeals.

8. We have heard the arguments of both sides and perused the materials available on record.

9. As seen from the impugned order of the Ld.CIT(E), the Ld.CIT(E) had extracted the donations received, corpus fund and the expenses incurred by the assessee for the last three years based on the financial statements filed by the assessee to the notice issued by the Ld.CIT(E). From the said financial statements, the Ld.CIT(E) had concluded that the purchase of lab equipment and seminar expenses are not incurred towards the objects of the trust. Further, the Ld.CIT(E) had observed that no details about the purchase of lab equipments and seminar expenses were provided by the

assessee and not explained how it is related to the objects of the trust. The Ld.CIT(E) also of the view that the project done by the assessee trust to develop a prototype of driverless cars appears to be a commercial in nature. These are the reasons stated by the Ld.CIT(E) while rejecting the applications.

10. We have perused the show cause notice issued by the Ld.CIT(E) dated 14/10/2024 and 12/12/2024 in which the Ld.CIT(E) had sought for the various details which were filed by the assessee along with the reply on 28/10/2024 and 17/12/2024. Nowhere in the show cause notice, the reasons given in the orders were communicated to the assessee before passing the rejection orders. Further, the assessee had explained the purchase of lab equipment and seminar expenses before us and also explained about the development of prototype of driverless cars which is not for commercial purpose. The Ld.CIT(E) had no valid reasons for rejecting the approval as well as the registration of the trust. In the order rejecting the registration, in para no. 3, the Ld.CIT(E) had mentioned about the notice issued on 14/10/2024 whereas the notice was actually issued on 12/12/2024. The notice dated 14/10/24 was issued for the application filed for the approval u/s 80G(5) of the Act. Since the Ld.CIT(E) had decided to reject both the applications, had simply extracted the same paragraphs in both the orders.

11. We have also perused the reply filed by the assessee to the show cause notice which shows that all the details were furnished by the assessee before the Ld.CIT(E) and the financial statements also establishes the fact that the assessee trust is doing charitable activities and therefore they are entitled for approval as well as registration under the provisions of the Act. Further, the Ld.CIT(E) had observed that the donations received during the year were not put into use towards the objects of the trust. It is not the first year for the assessee to get the approval and registration. Originally provisional registration was granted on 08/02/2022 and the assessee also complied with the conditions and benefit u/s11 was availed. Moreover, the assessee in his reply apart from furnishing the various details sought for by

the Ld.CIT(E) had also informed that if any other details are required, the assessee would submit the same on receipt of the communication from the Ld.CIT(E). Unfortunately, the Ld.CIT(E) had not sought for further details but rejected the applications. For the first time, the Ld.CIT(E) had given such findings in the impugned orders. Therefore, we are of the view that no proper opportunity has been granted to the assessee by the Ld.CIT(E) before rejecting the applications.

12. We, therefore, set aside the orders passed by the Ld.CIT(E) in respect of the approval sought for u/s. 80G(5) of the Act as well as the registration sought for u/s. 12AB of the Act and restore these issues to the file of the Ld.CIT(E) for deciding the issues afresh on merits, after receiving any further explanations from the assessee as well as after granting an opportunity of being heard to the assessee.

13. In the result, both the appeals filed by the assessee are allowed for statistical purposes.

Order pronounced in the open court on 25th June, 2025.

Sd/-
(LAXMI PRASAD SAHU)
Accountant Member

Sd/-
(SOUNDARARAJAN K.)
Judicial Member

Bangalore,
Dated, the 25th June, 2025.
/MS /

Copy to:

1. Appellant
2. Respondent
3. CIT
4. DR, ITAT, Bangalore
5. Guard file
6. CIT(A)

By order

Assistant Registrar,
ITAT, Bangalore