

आयकर अपीलीय अधिकरण 'बी' न्यायपीठ चेन्नई में।

**IN THE INCOME TAX APPELLATE TRIBUNAL  
'B' BENCH, CHENNAI**

माननीय श्री मनु कुमार गिरि, न्यायिक सदस्य एवं माननीय श्री एस.आर.रघुनाथा, लेखा सदस्य के समक्ष ।

**BEFORE HON'BLE SHRI MANU KUMAR GIRI, JUDICIAL MEMBER AND  
HON'BLE SHRI S. R. RAGHUNATHA, ACCOUNTANT MEMBER**

आयकरअपील सं./ITA Nos.796/Chny/2025, Assessment Year: 2019-20  
आयकरअपील सं./ITA Nos.797/Chny/2025, Assessment Year: 2020-21  
आयकरअपील सं./ITA Nos.798/Chny/2025, Assessment Year: 2021-22

**Jesus Calls,**  
No.16, DR.D.G.SDhinakaran Road,  
Raja Annamalaipuram,  
Chennai-600 028.  
**[PAN:AAATJ0173F ]**

**Vs.** Deputy Commissioner of Income Tax,  
Central Circle-3(1),  
Chennai.

(अपीलार्थी/Assessee)

(प्रत्यर्थी/Respondent)

अपीलार्थी की ओर से/ Assessee by

: Mr. V.Nagaprasad, Advocate &  
Ms.S.Revathy, F.C.A.

प्रत्यर्थी की ओर से /Respondent by

: Mr. M.K.Biju, CIT DR

सुनवाई की तारीख/Date of Hearing

: 05.06.2025

घोषणा की तारीख /Date of Pronouncement

: 07.07.2025

**आदेश / O R D E R**

**PER MANU KUMAR GIRI (Judicial Member)**

1. The captioned three appeals in ITA Nos.796/CHNY/2025 to 798/CHNY/2025 for assessment years (A.Y) 2019-20 to 2021-22 respectively arise out of the orders dated 03.03.2025 passed by the Id. Commissioner of Income Tax (Appeals), Chennai – 20 (Id. CIT(A) in short) against the orders of assessment passed u/s.143(3) r.w.s 153A of the Income-tax Act, 1961 (hereinafter referred to as Act) dated 31.03.2022 by the Deputy Commissioner of Income Tax, Central Circle – 3(1), Chennai (hereinafter referred to as AO).

2. The core issue that runs through all the 3 appeals is regarding the claim of software charges incurred by the assessee. The Assessing Officer (AO) passed assessment orders in all the 3 assessment years holding that the expenses claimed towards software development and support were paid without any actual service. He held the transactions as sham performed in the guise of expenses based only on agreements. The assessment orders passed in this case are more or less identical to assessment orders passed in the case of 'Karunya Educational and Research Trust' (KERT). On appeal, the Id. CIT(A) passed identical orders in all the 3 assessment years holding that his decision given in the detailed appeal order of KERT holds good in the case of the assessee Jesus Calls also, as mentioned below:

*"The exact issue came before me in the appeal filed by M/s.Karunya Educational and Research Trust, which is one of the entities of the appellant group, for AY 2017-18 in ITA No. 484/CIT(A)-20/2024-25 dated 28.02.2025, wherein after elaborate discussion, I had upheld that the entire arrangement of payment of software maintenance charges paid to M/s.PWDS through M/s.TFMSS, is not genuine transaction and it includes the amount transferred for the benefit of Shri Paul Dhinakaran and his family members."*

*"Since the facts and circumstances in this appeal are almost same, my decision in the case of M/s.Karunya Educational and Research Trust will apply in the present case of the appellant also."*

3. Aggrieved by the orders of Id. CIT(A), the assessee is in appeal before us. The grounds of appeal raised for A.Y. 2019-20 are as under:

1. *The order of the learned CIT(A) is erroneous, arbitrary and is liable to be quashed as the same is contrary to the facts of the case and provisions of law.*
- 2.1 *The CIT(A) grossly erred in upholding the assessment made by the AO, as the same has been made in the absence of any incriminating material to substantiate the same.*
- 2.2 *It being settled law that no addition can be made in a search assessment in the absence of any incriminating material, the Ld. CIT(A) erred in upholding the assessment made.*
3. *The CIT(A) erred in upholding the addition of Rs.19,900/- stating that the gifts received by the Trust on behalf of others to this extent were not offered to tax by the recipients of the gifts.*
- 4.1 *The CIT(A) erred in failing to delete the addition of Rs.1,80,000/- as the appellant did not incur the said expenditure during the year at all.*

- 4.2 *In any case, the addition having been made by the AO without any discussion regarding the software utilized by the appellant, the CIT(A) erred in confirming the erroneous addition.*
- 4.3 *The CIT(A) erred in restricting the expenses of 'software usage charges' to the extent it is paid to Microsoft Azure & salary paid to staff of M/s. TFMSS alone and in disallowing the remaining expenditure as not applied for the objects of the Trust u/s.13(1)(c).*
- 5.1 *Without prejudice to our ground that no expenditure was incurred in relation to the software usage charges during this year, the CIT(A) erred in failing to delete the addition which was made by the AO relying on the sworn statements recorded from Mrs. Grace Pauline Ezhilnila Ramamoorthy (Mrs. Grace) who was hostile to M/s. TFMSS since termination of her services in 2019 and Mr. Jebamalai Robinson, a sub-ordinate of Mrs. Grace in M/s. TFMSS even though the statements contained incorrect facts.*
- 5.2 *No opportunity of cross-examination of Mrs. Grace Pauline Ezhilnila Ramamoorthy (Mrs. Grace) and Mr. Jebamalai Robinson having been allowed to the appellant in spite of specific request, the statements lose their validity and the addition made on the basis of the same ought to have been deleted in full.*
- 6.1 *The CIT(A) erred in upholding the addition made by referring to his findings and observations made in the order of M/s. Karunya Educational and Research Trust (KERT) which are not applicable to the appellant's case.*
- 6.2 *The CIT(A) having upheld the addition in the case of KERT by referring to a report of FDI Labs, which was in relation to the applications utilized by KERT, the CIT(A) erred in upholding the addition in the appellant's case on the basis of the same, as the report did not examine the applications utilized by the appellant.*
- 6.3 *In any case, the addition made by the AO by placing reliance on the biased report of FDI Labs ought to have been deleted by the CIT(A), as the same is not valid and does not hold any authority regarding the addition made in assessment.*
- 6.4 *The report of FDI Labs having nowhere been referred to or even considered by the AO, the CIT(A) erred in concluding that the AO made the addition on the basis of the same.*
- 6.5 *In any case, the CIT(A) failed to analyze the report of 'FDI Labs – A Unit of Indian Office Automation and Technologies Pvt Ltd.' in a prudent manner, as most of the observations in the report are based on presumptions, surmises, conjectures, fictitious, inaccurate and not relevant to the issue involved in appeal.*
- 6.6 *A copy of the report of FDI Labs having never been furnished to the appellant either by the CIT(A) or AO, the addition made on the basis of the same is liable to be deleted in full.*
7. *The CIT(A) failed to verify the context of Whatsapp chats from the mobile phone of Mr. Paul Dhinakaran as the same does not relate to the impugned addition made by the AO at all.*
8. *The CIT(A) erred in baselessly concluding that funds were taken for the benefit of Mr. Paul Dhinakaran and his family members in the absence of any evidence or examination.*

9. *The CIT(A) erred in directing the AO to disallow the portion of 'software usage charges' on an incorrect application of section 13(1)(c) of the Act.*
10. *Without prejudice to our grounds that the addition of Rs.19,900/- and Rs.1,80,000/- is incorrect, the CIT(A) erred in upholding the addition as the appellant is eligible for exemption u/s. 11 of the Act.*
11. *Any other grounds that may be raised at the time of hearing.*

4. The appeal for A.Y.2019-20 is taken for consideration as a lead case. Ground no. 1 is general in nature and does not require adjudication. The assessee filed an additional ground which is an elaboration of ground No.10 and is actually not an additional ground. Grounds 4 to 9 are taken up first.

5.1 The brief facts of the case are that the assessee is a Religious and Charitable Trust registered u/s.12AA of the Act. Mr.Paul Dhinakaran is the Managing Trustee of the assessee Trust as well as an associate Trust M/s.Karunya Educational and Research Trust (KERT) which is a Public Charitable & Educational Trust. There was a search u/s.132 of the Act on 20.01.2021 in the case of assessee as well as its associate KERT.

5.2 The assessee had used software developed by Dimensions Innovations Lab, Kerala since the early years of 2000 until 2012. The software malfunctioned in 2012 and stopped responding and the assessee had many challenges in using its software. Consequently, a new software 'Family Card System' was developed by the e-governance team of Karunya Institute of Technology and Science (KITS), an associate entity of KERT headed by Mr.Jeys, a faculty member of the Computer Science Department in the year 2013. Mr.Jeys left the organisation in March 2016 and migrated to Australia. After his exit from KITS in 2016, the software developed snags and hanging repeatedly disrupting operations. Consequently, management of the assessee took a decision to get the entire software developed, updated on regular basis and maintained by an outside company and hold them accountable instead of getting it done by internal staff and encounter frequent disruptions.

5.3 After evaluation of quotations obtained from reputed software companies in the market for development and maintenance, the assessee selected and allotted the work to True Friend Management Support Services Ltd(TFMSS) backed by PW Data Solutions, UK (PWDS) and paid charges to TFMSS for the software developed and maintained by them. The lower authorities disallowed the claim of software charges.

6. Identical grounds of appeal under identical facts and circumstances on the same issue came up before us for adjudication in the case of assessee's associate Trust M/s.Karunya Educational and Research Trust in appeals ITA Nos.799/CHNY/2025 to 803/CHNY/2025 for assessment years (A.Y) 2017-18 to 2021-22 respectively. We passed a detailed order on 07.07.2025 in respect of these appeals. Considering all the facts and circumstances are identical regarding the issue in both the cases, we hold that the decision taken in the case of M/s.Karunya Educational and Research Trust in appeals ITA Nos.799/CHNY/2025 to 803/CHNY/2025 for assessment years (A.Y) 2017-18 to 2021-22, are applicable mutatis mutandis in the present case of the assessee under consideration for all 3 assessment years 2019-20 to 2021-22. As discussed in our orders in the case of M/s.Karunya Educational and Research Trust(supra) the disallowance of software charges made by the lower authorities is deleted and the grounds raised by the assessee are allowed.

7.1 Ground No. 3 is regarding confirming disallowance of Rs.19,900/- being personal gifts received by Ms.Sharon Angel Dhinakaran found recorded in the 'Gift Management System'. It is seen from page 53 of the order of Id.CIT(A), during various programs conducted, the participants offered personal gifts to the preachers and these gifts were recorded in the 'gift Management System' which was seized during the search. The AO made addition of Rs.16,39,947/- being aggregate of personal gifts received by the persons named in the gift management system. On

representation of the assessee during appellate proceedings that the persons named in the system, offered such personal gifts in their individual income tax returns, the Id. CIT(A) called for a remand report from the AO. In the remand report, the AO reported and confirmed that except Rs.19,900/- being gifts received by Ms.Sharon Angel Dhinakaran, all the remaining gifts were offered to taxation in their income tax returns. Hence, Id.CIT(A) confirmed the addition of Rs.19,900/- as the same was not subject to tax.

7.2 We have considered the facts and circumstances of the issue. It is found that out of personal gifts of Rs.20,500/- received by Ms.Sharon Angel Dhinakaran, she offered Rs.600/- in her income tax return. As the name of donee is specifically mentioned in the system, personal gifts received are to be considered in the individual hands of the donee in her assessment and not in the hands of the Trust. No addition could have been made in the case of the assessee and the ground raised by the assessee is hereby allowed.

7.3 The provisions of section 56(2)(x)(a) stipulates that cash gifts received in excess of Rs.50,000/- are to be treated as income u/s.56(1) of the Act. As the entire cash gifts received by Ms.Sharon Angel Dhinakaran are less than Rs.50,000/- the same are not taxable in her hands. Hence, the addition is deleted and the ground is allowed.

8. As the grounds raised are substantively allowed on merits, the legal grounds raised at number 2 and 10 are held as infructuous and do not require adjudication. In the result, disallowance made by the lower authorities is deleted and appeal of the assessee for AY 2019-20 is allowed.

9. It is seen that the remaining 2 appeals in ITA Nos.797/CHNY/2025 and 798/CHNY/2025 for assessment years (A.Y) 2020-21 and 2021-22 respectively arise out of the orders dated 03.03.2025 passed by the Id.CIT(A), against the orders of

assessment passed u/s.143(3) r.w.s 153A of the Income-tax Act, 1961 dated 31.03.2022 by the DCIT, Central Circle. Considering all the facts and circumstances and grounds raised by the assessee in these two appeals are identical to the facts and circumstances and the grounds in ITA Nos.796/CHNY/2025 for the A.Y.2019-20, it is held that the present order passed for A.Y.2019-20 is applicable mutatis mutandis to A.Y 2020-21 and 2021-22. Hence, the appeals for A.Y.2020-21 and 2021-22 are stand allowed.

10. In the result all the three appeals of the assessee for A.Ys. 2019-20 to 2021-22 are allowed.

Order pronounced in the open court on 7<sup>th</sup> day of July, 2025 at Chennai.

Sd/-

(एस.आर.रघुनाथा)

**(S. R. RAGHUNATHA)**

लेखा सदस्य / ACCOUNTANT MEMBER

Sd/-

(मनु कुमार गिरि)

**(MANU KUMAR GIRI)**

न्यायिक सदस्य / JUDICIAL MEMBER

चेन्नई Chennai: दिनांक Dated : 07-07-2025

KB/-

आदेश की प्रतिलिपि अग्रेषित /Copy to :

1. अपीलार्थी/Assessee
2. प्रत्यर्थी/Respondent
3. आयकरआयुक्त/CIT, Chennai/Coimbatore/Madurai/Salem.
4. विभागीयप्रतिनिधि/DR
5. गार्डफाईल/GF