

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

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

ITA No. 697/Bang/2025
Assessment Year : 2020-21

M/s. Redseer Management Consulting Pvt. Ltd., Embassy Boulevard, Silver Oak Villa No. 156, Hosahalli North Post, Near Yelahanka Air Force Base, Hunasamaranahalli, Bengaluru – 562 157. PAN: AAECR5087K	Vs.	The Deputy Commissioner of Income Tax, Circle – 5(1)(1), Bengaluru.
APPELLANT		RESPONDENT

Assessee by	:	Shri Siddanna, CA
Revenue by	:	Shri Subramanian .S, JCIT-DR

Date of Hearing	:	10-06-2025
Date of Pronouncement	:	02-09-2025

ORDER

PER SOUNDARARAJAN K., JUDICIAL MEMBER

This is an appeal filed by the assessee challenging the order of NFAC, Delhi dated 30/01/2025 in respect of the A.Y. 2020-21 and raised the following grounds.

“1. The order of the learned assessing officer is erroneous on facts and in law.

2. The learned assessing officer erred in law by adding Rs. 8,50,000/- to the returned income.

3. The learned assessing officer/NFAC failed to appreciate the fact that the appellant company had voluntarily disallowed the CSR expense of Rs. 17 lakhs in the tax computation statement.

4. The learned assessing officer/NFAC failed to acknowledge that the appellant company had claimed Rs.8,50,000 as deduction U/s 80G of the Income Tax Act, 1961 ("the Act") and not U/s 37 of the Act.

5. The Hon'ble NFAC erred in holding that payment to constitute a donation, it must satisfy the test of voluntariness.

6. The appellant reserves the right to add to, alter, amend, modify or delete any of the grounds taken in this appeal. The grounds taken in this appeal are without prejudice to each other.

7. For the above grounds and other grounds which may be raised at the time of hearing, your appellant prays that the relief sought for may be granted and justice be rendered."

2. The brief facts of the case are that the assessee is a company and doing the business of providing market research and consultancy services to the Indian as well as international companies to help them optimize their operations and define strategies through research and analytical solutions. The assessee filed their return of income on 04/02/2021 which was duly processed u/s. 143(1) of the Act. Subsequently, the case was selected for scrutiny under CASS for complete scrutiny. Statutory notices were issued u/s. 143(2) and 142(1) and the assessee also filed their objections to the said notices and also furnished the necessary documents. The AO based on the details submitted by the assessee had found that the assessee had donated a sum of Rs. 17 Lakhs to Samarthanam Trust through the corporate social responsibility scheme prescribed under the Companies Act, 2013. The said trust is also having an approval u/s. 80G of the Act. Therefore the assessee company had claimed a deduction of Rs. 8,50,000/- being the 50% of the amount donated to the said trust. The AO denied the

said claim made u/s. 80G of the Act since the payment on account of CSR is not related to the business expenditure.

3. The assessee challenged the said order before the Ld.CIT(A). The Ld.CIT(A) also without considering the issue in the right perspective had dismissed the appeal on the ground that the CSR expenditure incurred by the assessee is not voluntary but it is a mandatory one as per the Companies Act, 2013.

4. As against the said order, the assessee is in appeal before this Tribunal.

5. At the time of hearing, the Ld.AR submitted that the donation made to the Samarthanam Trust is towards the corporate social responsibility scheme formulated under Companies Act, 2013 and the said donation was not claimed deduction u/s. 37 of the Act but the deduction u/s. 80G was claimed. Both the deductions u/s. 37 as well as u/s. 80G would operate in different fields and therefore the assessee submitted that the said expenditure was not claimed as exemption u/s. 37 of the Act but claimed as deduction only u/s. 80G of the Act. The Ld.AR also filed a paper book enclosing the various documents and also filed a compilation of orders of the Tribunal in similar circumstances and prayed to allow the appeal filed by the assessee.

6. The Ld.DR submitted that the assessee is not entitled to claim deduction u/s. 80G of the Act on the payment of the donation made under the corporate social responsibility scheme and therefore the appeal of the assessee may be dismissed.

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

8. In the computation of total income for the business, filed by the assessee at page 183 of the paper book, the disallowance u/s. 37 was added to the net profit before tax of the assessee which includes Rs. 17 Lakhs donation paid to the Samarthanam Trust. Therefore, it is clear that while calculating the computation of total income, the assessee had not sought for any exemption in respect of the donation made to the said trust. Thereafter under the provision 80G of the Act, the assessee had claimed the 50% of the donation made to the said trust under Chapter VIA of the Act. From the said computation of income, we found that the assessee had not claimed the CSR expenses as business expenditure u/s. 37 of the Act but added the said amount to the income of the business. Subsequent to the computation of income in the business, the assessee pursuant to the provision 80G of the Act, had claimed the deduction of Rs. 8,50,000/- being 50% of the donation made by the assessee company to the said trust.

9. We have also gone through the order of the Tribunals. The Hon'ble Delhi Bench of this Tribunal in the case of Interglobe Technology Quotient Pvt. Ltd. vs. ACIT in ITA No. 95/DEL/2024 vide order dated 28/05/2024 had dealt with similar issue and gave the following findings.

“5. The remaining amount of the disallowance was confirmed by NFAC on the ground that donations forming part of CSR expenditure is not allowable as deduction under [section 80G](#) of the Act. Same forms the basic controversy now. The assessing officer and CTT(A) disallowed the deduction claimed by the appellant by holding that the donations have been made to meet the statutory requirement of the provisions of [Companies Act 2013](#) and were accordingly not 'voluntary donation to be allowable under [section 80G](#) of the Act.

6. Ld. Counsel has submitted that the appellant suo-motu disallowed the expenditure incurred as part of CSR Activities in accordance with provisions of [section 37\(1\)](#) of the Act. However, for the purpose of claiming deduction under [section 80G](#) of the Act, the donations made as part of CSR expenditure were considered. It was submitted that law in this regard is now quite settled. Ld. Counsel submitted that disallowance of deduction claimed under [section 80G](#) of the Act will result in double disallowance, which is not provided for by the Legislature.

He has placed reliance on Bangalore Bench of the Tribunal judgment in the case of *Allegis services (India) Pvt Ltd vs ACIT Bangalore*: ITA No.1693/Bang/2019. Relevant extracts of the decision, as relied by him, are reproduced hereunder:

“14. In our view, expenditure incurred under [section 30 to 36](#) are claimed while computing income under the head 'Income from Business or Profession', whereas monies spend under [section 80G](#) are claimed while computing "Total Taxable Income" in the hands of appellant. The point of claim under these provisions are different

15. Further, intention of legislature is very clear and unambiguous, since expenditure incurred under [section 30 to 36](#) are excluded from Explanation 2 to [section 37\(1\)](#) of the Act, they are specifically excluded in clarification issued. There is no restriction on an expenditure being claimed under above sections to be exempt, as long as it satisfies necessary conditions under [section 30 to 36](#) of the Act, for computing income under the head "Income from Business or Profession".

16. For claiming benefit under [section 80G](#), deductions are considered at the stage of computing "Total Taxable Income". Even if any payment under [section 80G](#) forms part of CSR payment (Keeping in mind ineligible deduction expressly provided u/s 80G), the same would already stand excluded while computing, Income under the head "Income from Business or Profession", The effect of such disallowance would lead to increase in Business income. Thereafter benefit accruing to appellant under Chapter VIA for computing "Total Taxable Income" cannot be denied to appellant, subject to fulfilment of necessary conditions therein.

17. We therefore do not agree with the arguments advanced by Ld Sr DR.

18. In our view, appellant cannot be denied the benefit of claim under chapter VIA, which is considered for computing "Total Taxable Income". If appellant is denied this benefit, merely because such payment forms part of CSR, would lead to double disallowance, which is not the intention of legislature. Accordingly, ground raised by appellant stands allowed."(emphasis supplied)

6.1 *Ld. Counsel* has relied judgment in *Goldman Sachs Services Pvt Ltd vs JCIT: ITA No.2355/Bang/2019*, of the Bangalore Bench of the Tribunal to submit that that deduction under [section 80G](#) cannot be denied in respect of CSR expenditure incurred under [section 135\(5\)](#) of the Companies Act, 2013. He submitted that the Tribunal while allowing the deduction under [section 80G](#), has also considered clauses (iihk) & (iihl) of [section 80G\(2\)](#) to hold that contribution made under [section 135\(5\)](#) of the Companies Act, 2013 other than to "Swachh Bharat Kosh" and "Clean Ganga Fund" shall be eligible for deduction under [section 80G](#) of the Act. The relevant extracts of the decision, as relied by him, are as under:

"16..... We find that the CSR expenses are required to be incurred by companies as per [Section 135](#) of the Companies Act and the deduction [u/s. 37\(1\)](#) of the Act, is not available from Assessment Year 2015-16 as per the Explanation 2 to [Section 37\(1\)](#) of the Act inserted by the [Finance Act No.2. 2014](#). Whereas, the appellant company has made a claim for deduction of CSR expenses [w/s. 80G of the Income Tax Act, 1961](#). But the assessing officer has rejected the assesses claim without verifying the nature of contributions and observed that it is not a donation, and was not spent voluntarily for the eligibility of claim [u/s.80G](#) of the Act but due to legal obligation prescribed [w/s. 135 r.w. Schedule VII of Companies Act, 2013](#). We find that the A.O has allowed eduction [n/s.80G of the Act](#) in respect of contribution made to PM Relief Fund which is not disputed. We are of the opinion that the A.O. has not made his observations clear that no CSR expenses are eligible for deduction [m/s. 80G of the Act](#). We consider it appropriate to refer to the Clauses (link) & (d) of sub [section 2](#) of [Section 80G](#) of the Act which are read as under:

"(iihk) the Swachh Bharat Kosh, set up by the Central Government, other than the sum spent by the appellant in pursuance of Corporate Social Responsibility under sub-section (3) of [Section 135](#) of the Companies Act, 2013 (18 of 2013): or

(iihl) the Clean Ganga Fund, set up by the Central Government, where such appellant is a resident and such sum is other than the sum spent by the appellant in pursuance of Corporate Social Responsibility under sub- section (5) of [Section 135](#) of the Companies Act, 2013) (18 of 2013)"

Where these two exceptions are provided in [Section 80G](#) of the Act, it can be inferred that the other

contributions made u/s 135(5) of the *Companies Act* are also eligible for deduction u/s 80G of Income Tax Act subject to appellant satisfying the requisite conditions prescribed for deduction u/s 80G of the Act. In the present case the A.O. has not dealt on these aspects, *prima facie*, considered the contributions as not voluntary but a legal obligation and has accepted the genuineness of the contributions. We are of the opinion that the matter has to be considered for examination and verification of facts subject to the appellant satisfying the requirements of claim u/s 80G of the Act. Accordingly, we restore the entire disputed issues to the file of A.O. for fresh examination and verification as discussed above and the appellant should be provided adequate opportunity of hearing and shall cooperate in submitting the information and we allow the ground of appeal of the appellant for statistical purposes." (emphasis supplied)

6.2 Ld. Counsel has then relied a co-ordinate Delhi bench of Tribunal decision in the case of *Honda Motorcycle and Scooter India Pvt Ltd vs ACIT*: ITA No.1523/Del/2022 vide order dated 22.08.2023, where relying on the decision of Bangalore bench of the Tribunal in the case *Goldman Sachs (supra)*, the Co-ordinate bench has held that there is no restriction in the Act that expenditure when disallowed for CSR cannot be considered under section 80G of the Act. The said donation also formed part of CSR expenditure of the assessee, though the assessee disallowed the said expenditure under section 37(1) of the Act. The Tribunal, however, remitted the issue to the file of the assessing officer with the directions to allow deduction under section 80G of the Act subject to verification that the payments qualified as donation under that section. The relevant extracts of the decision, as relied by him, are as under;

"18. We have heard both the parties and perused the records. We find that ITAT, Bangalore Bench in the case of *Goldman Sachs Services (P.) Ltd. (supra)* has held that the other contributions made under section 135(5) of the *Companies Act* are also eligible for deduction's 80G of the Act ITA No. 1523/Del./2022 subject to satisfying the requisite conditions prescribed for deduction w/s 80G of the Act. For this purpose, the issue is remanded to the file of AO to examine the same whether the payments satisfy the claim of donation's 80G of the Act. We find that the case law is fully applicable to the facts of the case. There is no restriction in the Act that expenditure when disallowed for CSR

cannot be considered w/s 80G of the Act, Hence, we remit the issue to the file of AO to verify whether these payments were qualified as donations u/s 80G of the Act or not, if they qualify as donation u/s 80G of the Act then the requisite amount deserves to be allowed." (emphasis supplied)

6.3 Ld. Counsel also relied judgment in case of *Teradata India Pvt Ltd vs. DCIT*: ITA 1248/Del/2022, the coordinate Delhi Bench of the Tribunal, where in the bench allowed the deduction claimed under section 80G of the Act in respect of donations made to eligible institutions as part of CSR Expenditure, holding as under;

"16. It is not in dispute that contributions made by the assessee are made to eligible institutions which are enjoying exemption u/s 80G of the Act. The fact that those contributions were made only to eligible institutions are not in dispute before us. We find that all the institutions listed in the tabulation are enjoying exemption u/s 80G of the Act and accordingly, assessee would be entitled for deduction u/s 80G of the Act thereon, irrespective of the fact that it is made as part of CSR obligations. The assessee in the instant case had duly complied the provisions of Companies Act, 2013 read with CSR rules thereon and as per the provisions of the Income Tax Act had also voluntarily disallowed the CSR expenditure while computing the taxable income. Since, the donee institutions are eligible institutions enjoying exemption u/s 80G of the Act, the assessee has claimed deduction u/s 80G of the Act which is also provided in the statute itself to the assessee. Hence, denial of deduction u/s 80G of the Act to the assessee would result in gross injustice. We direct the ld AO to grant deduction u/s 80G of the Act to the assessee. Accordingly, the ground No. 6 to 6.6 raised by the assessee are allowed." (emphasis supplied)

6.4 He has also made reference to Hyderabad Bench of the Tribunal decision in the case of *Optum Global Solutions (India) (P) Ltd vs DCIT*: [2023] 203 ITD 14 (Hyd Trib.) that where assessee satisfied conditions of section 80G, the assessee shall be eligible to claim deduction under the said section in respect of such donations, even if the same formed part of spends towards CSR. The relevant extracts of the decision, as relied by him, are as under:

"13. After computing the business income, while computing the total income of the assessee, the

assessee is invoking the benefit under chapter-VIA by claiming deduction of the sums under [section 80G](#) of the Act. According to the Revenue, when once such sum went to satisfy the requirement of [section 135](#) of the Companies Act, the benefit gets exhausted and such an amount is no more available for the purpose of claiming deduction under [section 80G](#) of the Act.

14. [Coming to the Income-tax Act, 1961](#), there is no express provision to support the contention of Revenue. On the other hand, [section 80G\(2\)\(iihk\)](#) and [\(iihl\)](#) of the Act expressly provide that such sums donated for Swatch Bharath Kosh and Clean Ganga Fund shall be the amounts other than the sums spent by the assessee in pursuance of CSR, meaning thereby the donations made towards Swatch Bharath Kosh and Clean Ganga Fund spent as apart of CSR are not qualified for deduction under [section 80G](#) of the Act. Out of so many entries under [section 80G\(2\)](#) of the Act, only donations in respect of two entries are restricted if such payments were towards the discharge of the CSR. The Legislature could have put a similar embargo in respect of the other entries also, but such a restriction is conspicuously absent for other entries. The irresistible conclusion that would flow from it is that it is not the legislative intention to bar the payments covered by [section 80G\(2\)](#) of the Act which were made pursuant to the CSR, and other than covered by [section 80G\(2\)\(iihk\)](#) and [\(iihl\)](#) of the Act. As stated above, clue can be had from the restrictions by way of [section 80G\(2\)\(iihk\)](#) and [\(iihl\)](#) of the Act.

15. This aspect has been dealt with by successive Co-ordinate Benches in the cases relied upon by the assessee. While elaborately discussing this issue in the case of *JMS Mining (P.) Ltd...*

16. We are in agreement with such observations and findings of the Co-ordinate Bench of the Tribunal and while respectfully following the same, we hold that inasmuch as the assessee satisfied the conditions of [section 80G](#) of the Act, the assessee is entitled to claim deduction under [section 80G](#) of the Act in respect of such donations which formed part of the spend towards CSR. Accordingly, we hold Ground No. 2 in favour of the assessee."(emphasis supplied)

6.5 Reliance was also placed on the decision of Mumbai Bench of the Tribunal in the case of *Synergia Lifesciences Pvt Ltd vs DCIT*: ITA No. 938/Mum/2023 (Mum Trib),

which has relied on the decision of Bangalore bench of the Tribunal in the case of Allegis (supra) and held that "the claim for deduction under [section 80G](#) of the Act in respect of CSR expenses cannot be denied". The Tribunal, however, remitted the issue to the file of the assessing officer with the directions to allow deduction under [section 80G](#) of the Act if the conditions specified therein are satisfied. He also cited the following decisions for the same proposition of law.

- [FNF India Private Limited vs ACIT: 133 taxmann.com 251 \(Bang Trib.\)](#)
- [Infinera India \(P.\) Ltd vs. JCIT: 194 ITD 463 \(Bang Trib.\)](#)
- [First American \(India\) Private Limited: ITA No. 1762/Bang/2019 \(Bang. Trib\)](#)
- [Sling Media \(P\) Ltd vs. DCIT: 194 ITD 1 \(Bang Trib.\)](#)
- [JMS Mining \(P.\) Ltd vs PCIT: 130 taxmann.com 118 \(Kol Trib.\)](#)
- [DCIT vs. Peerless General Finance & Investment Co Ltd: 112 taxmann.com 410 \(Kol Trib.\)](#)
- [Diamond Beverages Private Limited vs PCIT: ITA No.208/Kol/2022 \(Kol Trib.\)](#)
- [Power Mech Projects Ltd vs DCIT: ITA No.155/Hyd/2023 \(Hyd Trib.\)](#)
- [Supreme Buildstates Pvt Ltd vs DCIT: ITA No.495/Jpr/2023 \(Jpr Trib.\)](#)
- [Naik Seafoods Pvt Ltd vs. PCIT: ITA 490/Mum/2021 \(Mum Trib.\)](#)
- [Societe Generale Securities India Pvt Ltd vs. PCIT: ITA 1921/Mum/2023 \(Mum Trib.\)](#)

7. Learned DR has failed to bring forth any decision to the contrary. Thus, we accept the plea of learned counsel on the basis of case law cited, denial of CSR expenditure [u/s 37\(1\)](#) of the Act is not embargo to claim deduction [u/s 80G](#) of the Act.

7.1 Further, we like to observe that as a matter of fact as per [Section 135](#) of the Companies Act, 2013 ('CA 2013), the qualifying Companies as mentioned therein are required to spend certain percentage of profits of last three years on activities pertaining to Corporate Social Responsibility (CSR). The expenditure on CSR, could be by way of expenditure on projects directly undertaken by said companies, such as setting up and running schools, social business projects, etc. Such expenditure would include expenditure otherwise falling for consideration under [section 37\(1\)](#) of the Act. On the other hand, companies, instead of undertaking or participating directly

in a project, may choose to give donations to institutions that are engaged in undertaking such projects, which is also a recognized way of compliance of CSR obligation.

7.2 The assessing officer and CIT(A) have relied upon General Circular 14/2021 dated 25.08.2021 issued by MCA and "Explanatory Notes to the provisions of the [Finance \(No.2\) Act, 2014](#)" to hold that donations made as part of CSR expenditure are not allowable as deduction. The foundation of their reasoning being that the donation is voluntary in nature, while CSR expenditures are under statutory obligations.

7.3 As we take notice of the fact that Parliament legislated that CSR expenses would not be eligible for deduction as business expenditure under [section 37](#) of the Act by inserting Explanation 2 to [section 37\(1\)](#) vide the [Finance \(No.2\) Act, 2014](#) (applicable from the assessment year 2015-16), which provided that any expenditure incurred by an assessee on the activities relating to CSR referred to in [section 135](#) of the CA 2013, shall not be deemed to be an expenditure incurred by an assessee for the purpose of business or profession and shall not be allowed as deduction under [section 37\(1\)](#) of the IT Act. The intent of Parliament in bringing the aforesaid provision is given in the Explanatory Memorandum to the Finance (No.2) Bill, 2014 and is reproduced as under ;

"CSR expenditure, being an application of income, is not incurred wholly and exclusively for the purposes of carrying on business, As the application of income is not allowed as deduction for the purposes of computing taxable income of a company, amount spent on CSR cannot be allowed as deduction for .computing the taxable income of the company, Moreover, the objective of CSR is to share burden of the Government in providing social services by companies having net worth/turnover/profit above a threshold. If such expenses are allowed as tax deduction, this would result in subsidizing of around one-third of such expenses by the Government by way of tax expenditure." (emphasis supplied)

7.4 The aforesaid explanatory memorandum categorically expresses the legislative intent and the rationale of disallowance of CSR expenditure referred to in [section 135](#) of the Companies Act, that such expenditure is application of income and not incurred for the purposes of business. We are of considered view that this in itself justifies the grant of deduction u/s 80G. As CSR

expenditure is application of income of the assessee under the [Income Tax Act](#), that means it continues to form part of the Total income of the assessee. [Section 80G\(1\)](#) of the Act provides that in computing the total income of an assessee, there shall be deducted, in accordance with the provisions of this section, such sum paid by the assessee in the previous year as a donation. Further, [section 80G\(2\)](#) lists down the sums on which deduction shall be allowed to the assessee. [Section 80G](#) falls in Chapter VIA, which comes into play only after the gross total income has been computed by applying the computation provisions under various heads of income, including the Explanation 2 to [section 37\(1\)](#) of the Act. Thus, there is no correlation between suo-moto disallowance in [section 37\(1\)](#) and claim of deduction under [section 80G](#) of the Act.

7.5 As with regard to the reasoning that CSR expenditure are not voluntary but mandatory in nature due to penal consequences, we are of considered view that voluntary nature of donation is by nature of fact that it is not on the basis of any reciprocal promise of donee. The CSR expenditures are also without any reciprocal commitment from beneficiary being philanthropic in nature. [The Act](#) permits deduction of donations as per [Section 80G](#) of the Act, even though, assessee is not gaining any benefit out of any reciprocity from donee. Similar is the case of CSR expenditure. Thus the reasoning of learned Tax Authority, the CSR expenditure is mandatory, does not justify disallowance of these expenditures u/s [80G](#), if other conditions of [section 80G](#) are fulfilled. There is no allegation of Revenue that other conditions of [Section 80G](#) are not fulfilled. We, thus sustain the ground.”

10. In the above judgement, the Hon'ble Delhi Tribunal had discussed the issue in detail and gave the above said finding. The Hon'ble Delhi Tribunal had also considered the provisions of section 37, 80G of the Income Tax Act and section 133(5) of the Companies Act, 2013 and arrived the said conclusion. The Hon'ble Delhi Tribunal also considered the circumstances under which the CSR expenditure could be treated as voluntary or mandatory.

11. The issue involved in the present appeal is also about the disallowance of the claim made u/s. 80G of the Act on the 50% of the

donation made to the Samarthanam Trust which is eligible for exemption u/s. 80G of the Act. Since the issue has already been decided by the Hon'ble Delhi Tribunal as well as the Coordinate Bench of this Tribunal, we are also following the said orders to the facts and circumstances of the case and held that the assessee is entitled for deduction u/s. 80G of the Act on the donations made under the corporate social responsibility.

12. In the result, the appeal filed by the assessee is allowed.

Order pronounced in the open court on 02nd September, 2025.

Sd/-
(LAXMI PRASAD SAHU)
Accountant Member

Sd/-
(SOUNDARARAJAN K.)
Judicial Member

Bangalore,
Dated, the 02nd September, 2025.
/MS /

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

By order

Assistant Registrar,
ITAT, Bangalore