

IN THE INCOME TAX APPELLATE TRIBUNAL
 JODHPUR BENCH, JODHPUR

BEFORE DR. MITHA LAL MEENA, HON'BLE ACCOUNTANT MEMBER
AND
SHRI ANIKESH BANERJEE, HON'BLE JUDICIAL MEMBER

I.T.A No.192, 280 & 227/Jodh/2024
 (Assessment Year: 2023-24)

CLG Universal Foundation E-44/45, Kalpatru Shopping Centre, Shastri Nagar, Jodhpur- 342 003 PAN : AAJCC4436C	vs	CIT Exemption, Jaipur. Rajasthan.
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Present for Assessee	Shri Amit Kothari, CA
Present for Revenue	Shri M.K. Jain, Ld. CIT(DR.)

Date of hearing	20/08/2025
Date of pronouncement	29/09/2025

ORDER

Per Bench:

The instant appeals of the assessee filed against the order of the Learned Commissioner of Income-tax (Exemption), Jaipur [for brevity, 'Ld.CIT(E)'] order passed under section 12A of the Act and passed under section 80G(5) of the Income-tax Act, 1961 (in short, 'the Act') dated 31/01/2024 and 08/02/2024, respectively.

2. The three appeals, ITA No.192/Jodh/2024 related to challenging the denial of registration application under section 12A(1)(ac)(iii) of the Act and ITA No.280/Jodh/2024 is challenging the cancellation of registration under

section 80G(5) of the Act. But in respect of ITA No.227/Jodh/2024, the Ld.AR informed that the appeal was filed in duplication. So the appeal in **ITA No.227/Jodh/2024** is dismissed for duplication.

ITA 192/Jodh/2024

3. The Ld. AR appeared and filed a paper book containing pages 1 to 86, which has been taken on record. He submitted that the assessee is a company incorporated under Section 8 of the Companies Act, 2013, pursuant to Rule 19(2) of the Companies (Incorporation) Rules, 2014, and is engaged in promoting Indian educational institutions such as schools, pre-schools, and colleges. The assessee applied for registration under Section 12A(1)(ac)(iii) of the Act before the Ld. CIT(E).

The revenue authorities carried out an inspection of the assessee's premises and noted certain discrepancies in the activities of the assessee. The Ld. AR contended that the notice was issued by the revenue on 27.01.2024, at the close of business hours on Saturday, calling for a substantial volume of data to be furnished by 12:08 p.m. on 29.01.2024. With Sunday intervening, it was practically impossible to comply with such short notice. Nevertheless, the assessee's representative visited the office of the revenue authority on 29.01.2024 and furnished the requisite details.

It was further explained that the amount advanced to CLG Shikshan Sansthan was meant for a joint educational programme. However, as the programme was cancelled due to unforeseen circumstances, the entire amount was refunded to the assessee. The corresponding ledger evidencing this transaction was also produced before the revenue officer during inspection on 29.01.2024. The Ld. AR further argued that although the assessee's application for registration was filed in September 2023, the proceedings were initiated only

on 05.01.2024, and the impugned order was hurriedly passed on 31.01.2024. This, according to him, amounted to a gross violation of the principles of natural justice. The Ld. AR submitted that all the allegations were duly explained before the revenue authorities. The objects of the assessee are genuine and in conformity with the requirements of Section 2(15). The Ld. CIT(E) himself had no adverse finding regarding the charitable objects or the identity of the trust. Therefore, rejection of registration merely on the ground of alleged violations under Section 13(1)(c) was wholly unjustified. The Ld. AR invited our attention to copy of rent agreement, details of amount spent on various activities and Audited Financial Account are annexed in **APB pages 22 to 39.**

4. The Ld. DR argued and relied on order of the Ld. CIT(E). The Ld. DR invited our attention in the page 30 to 31 of the impugned order. The relevant part of the said order is reproduced as below:-

“2.9. From the above discussion it is clear that assessee trust's is doing no any charitable activity and also non existence of its specific premise. The discussion held above is hereby summarize as under

- No such specific portion is identified in the name of CLG Universal Foundation at the premise actually occupied by the commercial organisation of directors. No such commercial organisations are paying rent, but applicant institution is paying which actually not exist and claimed charitable institution*
- Bogus salary expenses of Rs. 10,83,000/- & Rs. 14,54,900/- shown for F.Y. 2021-22 & 2022-23 for meagre activities that too proved non genuine.*
- No bills/vouchers were produced to justify any expense debited in books, thus the same are also non genuine.*
- Directors could not give any justification for what work remuneration of Rs. 2.80,000/-84.63,000/- is drawn during F.Y. 2021-22 & 2022-23*

- *In receipt side it was seen that all receipts are shown in name of Eduserve not as donations, and no details of persons like name, address, PAN No, donation slips were given*
- *No transactions in bank account shows that assessee trust is not doing any activity.*
- *In bank account only cash deposit from directors other commercial organisations and taken back by its commercial organisation CLG Shikshan Sansthan and directors in the name of rent, remuneration, salary expenses, and same without any expense.*
- *Shown expenses towards activities from cash only, cash is neither withdrawn from bank account and expenses never routed from bank account.*
- *Furnished fabricated bills in support of activity mask and sanitizer.*
- *Applicant transferring money in form of loans of to related concerns namely CLG Shikshan Sansthan.*

In light of above facts it is clear that CLG Foundation is not working genuinely and is infect

1. On of the way by which receipts of commercial enterprises are diverted to CLG Universal foundation to avoid taxes in those commercial institute.

2. All expenses shown in name of salary, rent, directors' remuneration is ploy to siphoning off funds or pay for expenses of commercial establishment run by trustees/directors.

03. In view of above discussion assessee's claim of registration section 12AB is liable to be rejected and thus being rejected on following ground: -

Non Genuineness of activities and siphoning off the funds of the institute."

5. We have heard the rival submissions and perused the material placed on record. The assessee is a company incorporated under Section 8 of the Companies Act, 2013, and applied for registration under Section 12A(1)(ac)(iii) of the Income-tax Act, 1961. The Ld. CIT(E), after conducting inspection and considering the replies filed, rejected the application holding that the assessee had not carried out genuine charitable activities and that the alleged

transactions amounted to siphoning of funds in violation of Section 13(1)(c) of the Act. It is a settled proposition of law that at the stage of granting registration under Section 12AB, the scope of enquiry of the Ld. CIT(E) is confined to two aspects only:

- (i) the genuineness of the activities of the trust, and
- (ii) whether such activities are in consonance with the stated objects of the trust.

The issues relating to the allowability of exemption under Sections 11 and 13, or whether any specific expenditure constitutes violation of Section 13(1)(c), are matters to be examined during assessment proceedings by the Assessing Officer. In the present case, the Ld. CIT(E) has not doubted the charitable objects of the assessee, nor the fact of its legal existence under the Companies Act, 2013. The rejection of registration has been founded mainly on alleged excess payment of rent, salary, and siphoning of funds. These allegations, even if assumed to have substance, fall within the domain of assessment proceedings and cannot form the sole basis for denying registration. We further note that the assessee has filed a paper book containing supporting evidences, including rent agreements, audited financial statements, and ledger accounts, to substantiate its submissions. The Ld. AR has also explained that the advance to CLG Shikshan Sansthan was refunded upon cancellation of the proposed programme, and the corresponding ledger entries were produced before the authorities. These explanations were not rebutted with cogent evidence by the revenue.

In view of the above discussion, we are of the considered opinion that the rejection of registration under Section 12AB of the Act merely on the basis of alleged violations of Section 13(1)(c), without doubting the genuineness of the

assessee's charitable objects, is not justified. Accordingly, we set aside the impugned order of the Ld. CIT(E) and direct him to grant registration to the assessee under Section 12AB of the Act in accordance with law.

6. In the result, ITAs **192 & 280/Jodh/2024** are allowed and ITA **No.227/Jodh/2024** is dismissed for duplication.

Order pronounced on 29th day of September 2025 in accordance with Rule 34(4) of the Income tax (Appellate Tribunal) Rules, 1963.

Sd/-

(DR. MITHA LAL MEENA)
ACCOUNTANT MEMBER

sd/-

(ANIKESH BANERJEE)
JUDICIAL MEMBER

Jodhpur, Dt : 29th September, 2025
Pavanan

Copy of the Order forwarded to:

1. अपीलार्थी/The Appellant ,
2. प्रतिवादी/ The Respondent.
3. आयकरआयुक्त CIT
4. विभागीयप्रतिनिधि, आय.अपी.अधि., मुंबई/DR, ITAT, Jodhpur
5. गार्डफाइल/Guard file.

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BY ORDER,

(Asstt. Registrar), ITAT, Jodhpur