



IN THE INCOME TAX APPELLATE TRIBUNAL
PUNE BENCHES "B", PUNE

BEFORE DR.MANISH BORAD, ACCOUNTANT MEMBER
AND SHRI VINAY BHAMORE, JUDICIAL MEMBER

आयकर अपील सं. / ITA No.1225/PUN/2025

Assessment Year : 2020-21

Prabodh Centre for Rural Reforms, Gat No.143, Village Bhukum, Tal. Mulshi, Pune 411042 Maharashtra PAN : AADTP6064A	Vs.	CIT (Exemption), Pune
Appellant		Respondent

Appellant by	:	Shri Abhay Avchat
Respondent by	:	Shri Amit Bobde
Date of hearing	:	03.11.2025
Date of pronouncement	:	14.11.2025

आदेश / ORDER

PER DR. MANISH BOARD, ACCOUNTANT MEMBER :

The captioned appeal at the instance of assessee is directed against the order dated 29.03.2025 framed by ld. CIT(Exemption), Pune u/s.263 of the of the Income Tax Act, 1961 arising out of Assessment Order dated 27.09.2022 passed u/s.143(3) r.w.s.144B of the Act.

2. Though the assessee has raised various grounds of appeal but the grievance is against the assumption of jurisdiction u/s.263 of the Act and also against the direction of ld.CIT(Exemption) in setting aside the original assessment order to the file of ld. Assessing Officer treating it as erroneous and prejudicial to the interest of Revenue.

3. At the outset, ld. Counsel for the assessee submitted that after the framing of the assessment order u/s.143(3) r.w.s.144B of the Act for the A.Y. 2020-21 in the case of the



assessee which is a charitable trust, certain additions were made for the income from impermissible investments and the same charged to tax at the Maximum Marginal Rate. Assessee moved an application under the *Direct Tax Vivad Se Vishwas Scheme (DTVSV)* and even paid the disputed tax amount of Rs.1,83,533/- and Form No.4 was also issued by ld.CIT(Exemption, Pune on 31.12.2024. But thereafter, a show cause notice u/s.263 of the Act has been issued. He submitted that apart from the various submissions filed before ld.CIT(Exemption) on merits of the case it is most humbly submitted that ld. CIT(E) vide order dated 31.12.2024 under the powers conferred u/s.92(2) r.w.s.93 of Finance (No.2) Act, 2024 has certified the full and settlement of Tax Arrear as per the application filed by the assessee under DTVSV scheme which has been calculated on the additions made by ld. AO and it therefore shows that ld.CIT(Exemption) has accepted the income assessed by ld. AO. Now post issue of Form 4, ld.CIT(Exemption) has issued the notice u/s.263 of the Act which is not justified and the revisionary proceedings deserves to be quashed.

4. On the other hand, ld. DR supported the impugned order passed by ld.CIT(Exemption).

5. We have heard the rival contentions and perused the record placed before us. We observe that the assessee is a Charitable trust and income of Rs.2,89,180/- declared in the return filed on 29.09.2020 for A.Y. 2020-21. After the case being selected for scrutiny under CASS and valid statutory notices u/s.143(2) and 142(1) of the Act were issued and served upon the assessee. Ld. Assessing Officer observed that assessee had made investments of Rs.85.00 lakh in



M/s.Prabodh Artha Sanchay in which the trustee had a substantial interest and has violated provisions of section 11(5) of the Act by making such investments in a company which is closely held by trustee. Ld. AO thereafter referring to certain judicial pronouncements concluded the assessment proceedings that the income earned on such investments is liable to be taxed at Maximum Marginal Rate (MMR) and made the addition there of over and over the income declared by the assessee. However, ld.CIT(Exemption) while issuing notice u/s.263 of the Act for carrying out the impugned proceedings has held that the total investments made by the assessee in M/s.Prabodh Artha Sanchay, partnership firm where the trustee had substantial interest deserves to be added in the hands of assessee rather than the income earned from the impermissible investments.

6. Before us, ld. Counsel for the assessee has contended that ld.AO has taken one of the legally permissible view placing reliance on various judgments including that of Hon'ble Bombay High Court in the case of *DIT(E) Vs. Sheth Mafatlal Gagalbhai Foundation Trust (2001) 249 ITR 533 (Bom.)* as well as the judgment of Hon'ble Karnataka High Court in the case of *CIT Vs. Fr. Mullers Charitable Institutions (2014) 363 ITR 230 (Kar.)* and has only made the addition for the interest earned on such impermissible investments and taxed at MMR. Ld. Counsel for the assessee also submitted that even though the assessee has appealed against the additions made by ld. AO however assessee subsequently filed application under DTVSV and accepted to pay the disputed tax liability and finally paid the sum of Rs.1,83,533/- on 13.12.2024. He further submitted before us that ld.CIT (Exemption) has



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himself accepted the disputed tax liability and the tax deposited by the assessee and issued Form No.4. This fact itself indicates that ld.CIT(Exemption) has accepted the view of the ld. Assessing Officer at one point of time and immediately after issuing Form No.4 ld.CIT(Exemption) has again taken a u-turn and has issued notice u/s.263 of the Act. Further the facts indicates that the assessee has duly participated in the assessment proceedings and has furnished all the requisite details in reply to the notices issued by ld. AO and based on the judicial pronouncements and the assessee's submissions, ld. AO has rightly completed the assessment proceedings by only taxing the interest income on such impermissible investments after adding the same taking it at Maximum Marginal Rate.

7. We therefore are of the considered view that assessment order is neither erroneous nor prejudicial to the interest of Revenue and ld.CIT(Exemption) erred in invoking section 263 of the Act passing the impugned order. We accordingly quash the impugned order and restore the assessment order dated 27.09.2022. Grounds of appeal raised by the assessee are allowed.

8. In the result, the appeal filed by the assessee is allowed as per terms indicated herein above.

Order pronounced on this 14th day of November, 2025.

Sd/-
(VINAY BHAMORE)
JUDICIAL MEMBER

Sd/-
(MANISH BORAD)
ACCOUNTANT MEMBER

पुणे / Pune; दिनांक / Dated : 14th November, 2025.

Satish



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आदेश की प्रतिलिपि अग्रेषित / Copy of the Order forwarded to :

1. अपीलार्थी / The Appellant.
2. प्रत्यर्थी / The Respondent.
3. The Pr. CIT concerned.
4. विभागीय प्रतिनिधि, आयकर अपीलीय अधिकरण, "B" बेंच,
पुणे / DR, ITAT, "B" Bench, Pune.
5. गार्ड फ़ाइल / Guard File.

आदेशानुसार / BY ORDER,

// True Copy //

Senior Private Secretary
आयकर अपीलीय अधिकरण, पुणे / ITAT, Pune.