

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

**BEFORE SHRI PRASHANT MAHARISHI, VICE – PRESIDENT
AND
SHRI SOUNDARARAJAN K., JUDICIAL MEMBER**

ITA No. 1778/Bang/2025
Assessment Year : NA

M/s. Madival Community Foundation, No. 304(TF-4), V2 Sushmita Enclave, 106, 2 nd Main, Ranganathpura, Magadi Road, Basaveshwaranagar, Bangalore – 560 079. PAN: AAIAM5862H	Vs.	The Commissioner of Income Tax (Exemptions), Bangalore.
APPELLANT		RESPONDENT

Assessee by	:	Smt. Suman Lunkar, CA
Revenue by	:	Shri Muthu Shankar, CIT-DR

Date of Hearing	:	07-01-2026
Date of Pronouncement	:	07-01-2026

ORDER

PER SOUNDARARAJAN K., JUDICIAL MEMBER

This is an appeal filed by the assessee challenging the rejection order of the Ld.CIT(A) in respect of the application filed for registration u/s. 12AB of the Act and raised the following grounds:

“1. The learned Commissioner of Income Tax (Exemptions) has erred in law and on facts in passing the impugned order rejecting the application for registration under section 12AB(1) of the Income Tax Act, 1961 filed by the appellant. The impugned order is bad in law, void ab initio and is liable to be quashed.

2. *The learned Commissioner of Income tax (Exemptions) has erred in rejecting the application filed by the appellant for final registration on one of the grounds that the appellant had failed to prove that the amounts withdrawn from bank account of the appellant were utilized towards objects of the appellant. On proper appreciation of facts and the law applicable, the amounts withdrawn having been utilized for objects of the appellant the action of Commissioner of Income tax (Exemptions) in rejecting the application filed for final registration is to be negated and the final registration Lis 12AB(I) as sought is to be granted to the appellant.*

3. *The learned Commissioner of Income Tax (Exemptions) has erred in holding that the appellant is established for the benefit of a particular community. On proper appreciation of appellant's trust deed, it is evident that the benefits of the appellant are open to general public and the activities are for the benefit of poor students at large. The conclusion drawn by the learned CIT(Exemptions) being wholly erroneous both on facts and law applicable is to be rejected in entirety and rejection of application for registration on this ground be held to be erroneous.*

4. *The learned Commissioner of Income Tax (Exemptions) has failed to consider:*

- a) That the appellant's objectives are charitable in nature.*
- b) That the activities of the appellant are genuine and in line with its stated objects.*
- c) That the appellant has complied with all legal and regulatory requirements material to achieving its objectives.*

5. *On proper appreciation of facts and evidence available and the law applicable, the appellant having complied with all the legal conditions laid down under section 12AB(1) of the Act is entitled to registration under the Act and same is to be granted to the appellant.*

6. *In view of the above and on such other grounds to be urged at the time of hearing, it is requested that the impugned order be quashed or at least it be directed that the appellant is to be granted for registration u/s. 12AB(1) of the Act.”*

2. The brief facts of the case are that the assessee is a society registered under the provisions of the Karnataka Societies Act. The assessee is having

several objects including the object of conducting health camps, Eye-checkup and blood donation camps among the members and the general public, establishing training centres and allied educational institutions, running of education and medical institutions, running of healthcare centre for orphan, poor and destitute children, etc. The assessee got their provisional registration on 31/12/2021 and subsequently the assessee filed an application u/s. 12AB for getting the final registration. On receipt of the said application, the Ld.CIT(E) had sent a notice dated 27/05/2025 seeking various details. The assessee had also furnished the details called for by the Ld.CIT(E). The Ld.CIT(E) after going through the various documents furnished by the assessee, had rejected the said application by stating that the trustee Mr. Ishwar Madiwal has withdrawn majority of the funds and it was observed that the expenditure is not towards the objectives of the trust. The Ld.CIT(E) also observed that the assessee is for one community i.e. "Madiwal". On the said reasoning the Ld.CIT(E) had straightaway rejected the application.

3. As against the said rejection order, the present appeal has been filed by the assessee before this Tribunal.

4. At the time of hearing, the Ld.AR submitted that the Ld.CIT(E) had not indicated his mind by issuing a show cause notice before rejecting the application otherwise the assessee could have explained the reasons for the withdrawal of the funds by one of the trustee Mr. Ishwar Madiwal and about the expenditure incurred towards the objects of the trust. The Ld.AR further submitted that the mentioning of the community name in the trust would not automatically gave an impression that the trust was established for a particular community. The Ld.AR also filed a paper book enclosing the reply filed by the assessee to the notice issued by the Ld.CIT(E). Along with the response, the assessee had furnished the various details and therefore the Ld AR submitted that the Ld.CIT(E) could not have rejected the application without hearing the assessee. The Ld.AR also relied on section 12AB(1)(b)(ii)(B) and prayed that an opportunity may be granted to

demonstrate before the Ld.CIT(E) that the allegations made in the impugned order is not well founded.

5. The Ld.DR relied on the order of the Ld.CIT(E) and submitted that the reasoning given by the Ld.CIT(E) is based on the records submitted by the assessee and therefore the order of the Ld.CIT(E) need not be interfered.

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

7. In the paper book filed by the assessee, we notice that the assessee was granted a provisional registration on 31/12/2021 and subsequently, the present application has been filed for permanent registration. As seen from the paper book, the assessee had also furnished the copies of the bylaws and the self-certified copies of the financial statements for the A.Ys. 2022-23 to 2024-25 and the bank statement for the F.Y. 2024-25. The assessee also furnished the lease agreement entered with the Karnataka Housing Board as well as the rental agreement with an individual. We have also considered the submission of the Ld.AR that the assessee had started the construction of the hostel for the students towards achieving the objects of the trust. It is the case of the assessee that one of the trustee Mr. Ishwar Madiwal had not withdrawn the money from the bank account for self but the said amount was reimbursed to him for the payments made to the BBMP for getting the approval and other things. We have also considered the submission made by the Ld.AR that the objects of the trust would establishes the fact that the trust is not meant for a particular community but for the public at large. Even though the assessee is having valid explanations, they could not be able to explain the same before the Ld CIT since no show cause notice was issued by the Ld CIT before passing the impugned order. Therefore admittedly the impugned order has been passed in total violation of the principles of natural justice.

8. Apart from that Section 12AB(1)(b)(ii)(B) of the Act mandates that before passing any adverse order a reasonable opportunity of being heard should be granted. The Ld.CIT(E) based on the documents furnished by the assessee had straightaway rejected the said application without seeking any explanation from the assessee. In such circumstances, the order of the Ld.CIT(E) is not sustainable and also against the mandated provision 12AB(1)(b)(ii)(B) of the Act. We, therefore set aside the order of the Ld CIT(E) and restore this issue to the file of the Ld.CIT(E) for deciding the issue on merits after giving a reasonable opportunity of being heard to the assessee and also after considering the explanations offered by the assessee.

9. In the result, the appeal filed by the assessee is allowed for statistical purposes.

Order pronounced in the open court on 07th January, 2026.

Sd/-
(PRASHANT MAHARISHI)
Vice – President

Sd/-
(SOUNDARARAJAN K.)
Judicial Member

Bangalore,
Dated, the 07th January, 2026.
/MS /

Copy to:

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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