

IN THE INCOME TAX APPELLATE TRIBUNAL
GUWAHATI BENCH, GUWAHATI
(VIRTUAL HEARING AT KOLKATA)

SHRI DUVVURU RL REDDY, VICE PRESIDENT
SHRI LAXMI PRASAD SAHU, ACCOUNTANT MEMBER

ITA No. 181/GTY/2025
Assessment Year : 2016-17

Changlang Community Resources Management Society, NERCOMP, CHANGLANG, Itanagar-792120 [PAN: AACAC1064F]	Vs.	ITO (Exemption), 2(4), Aayakar Bhawan, M G Road, Shillong - 782001
APPELLANT		RESPONDENT

Assessee by	:	Shri Sunil Sharma, AR
Revenue by	:	Shri Santosh Kumar Karnani, Addl. CIT

Date of hearing	:	07.01.2026
Date of Pronouncement	:	08.01.2026

ORDER

PER LAXMI PRASAD SAHU, ACCOUNTANT MEMBER:

This is an appeal filed by the assessee against the order passed u/s 250 of the Income Tax Act, 1961 (hereafter “the Act”) by the Ld. Commissioner of Income Tax (Appeals), Additional/Joint Commissioner of Income Tax (Appeals) – 2, Ahmedabad [hereafter “the Ld. Addl./JCIT(A)] dated 31.12.2024, DIN & order No.

ITBA/APL/S/250/2024-25/1071738618(1) on the following grounds of appeal:

“1. That Ld. CIT(A) was not justified in confirming the action of CPC/AO in treating grant of Rs.5,61,57,620/- as taxable income of your appellant society thereby levying income tax, along with 1 surcharge and interest, of Rs.2,93,68,993/-. All the Grants were received from Government with specific direction to implement projects and such grants cannot be treated as income if society merely on technical lacunae. The addition should be fully deleted.

2. That any error in filling up any form mandated to be filed by society under the Income Tax Act 1961 does not empower the administrating authorities to change the character of the receipts from exempt to taxable by ignoring the available facts and details. Any error in reporting is rectifiable and such rectification was denied thereby violating the principles of Natural Justice. Such order is bad in law and liable to be quashed.

3. Your Appellant crave the leave to crave, leave for addition, modification, substitution OR withdrawal of any of the above grounds of appeal.”

2. Briefly stated the facts of the case are that the assessee filed return of income on 17.10.2016 declaring 'Nil' income and aggregate of income referred as per section 11 & 12 of the Act was shown of ₹ 6,49,97,092/- the CPC processing the return of income on 31.03.2019 making addition of Rs. 5,61,57,620/- for failure to respond adequately to notices issued under section 143(1) precludes any claim of procedural injustice and raise the demand of Rs. 2,93,68,990/- against which the assessee filed rectification request on 18.08.2020 against the intimation u/s 143(1)(a) but the assessee could not produce any rectification order till the date of hearing. The assessee filed appeal before the Ld. CIT(A). During the appellate proceedings various notices were issued to justify the grounds raised, the assessee filed detailed written submissions and the assessee furnished reply and stated that the grant received from NERCRMS are inextricably linked to the implementation of Government of India projects. The Ld. CIT(A) observed that the assessee did not file Form 10 as per the provision of section 11(2) to accumulate unspent funds within

the due date the assessee registered under Section 12A of the Act, therefore exemption u/s 11(1)(a) cannot be granted as held in CIT Vs. Nagpur Hotels Industries Association (2001) 247 ITR 201 (SC) and he also relied on the judgment of Hon'ble Apex Court in the case of CIT Vs. State Urban Development Society (2011), Tuticorn and Cloth Chemical Vs. CIT (1997) 227 ITR 172 (SC) and he further noted that the assessee could not substantiate its case. Accordingly, he dismissed the appeal of the assessee.

3. Aggrieved on the above order, the assessee filed appeal before the ITAT.

4. The Ld. Counsel reiterated the submissions made before the Ld. CIT(A) and submitted that the assessee is registered under Section 12A of the Act and eligible for claim of exemption under Section 11 & 12 of the Act. He further submitted that how the CPC has picked the figures which are not tallied with the financial statement and he referred to page no. 14 of the paper book. He has submitted that the total grant received by the trust is Rs. 5,89,29,813/- and 15% of the income as per section 11(1)(a) is Rs. 88,39,472/- and further the application of income towards objects the societies are Rs. 6,49,97,092/-. Accordingly, as per the computation, there is no any other income for the year under consideration. He also referred to page no. 15 which is Form No. 10B read with rule 17b which was signed on 23.10.2017 uploaded on 23.10.2017. He also referred to the financial statement (placed at page no. 20 to 27 of paper book) and he further submitted the society implementing the projects of the Government of India and the Government Officer are managing day to day affairs of the society to attain the objects of the society. The Ld. CIT(A) has not properly appreciated the submissions of the assessee during the appellate proceedings and dismissed the appeal of the assessee.

5. On the other hand, the Ld. DR relied on the order of the lower authorities and submitted that the assessee has not followed the proper procedure for getting the exemption under Section 11 & 12 of the Act. There is no undisputed fact that the assessee is registered under Section 12A of the Act the assessee could not substantiate with sufficient documents for claiming grant of exemption as per law mandated.

6. Considering the rival submissions and perusing the entire materials available on record and order of authorities below that the assessee filed return of income declaring 'Nil' income and while processing the return under Section 143(1)(a) of the Act the CPC has determined the total income of Rs. 6,49,97,092/- against which the assessee filed the appeal before the Ld. CIT(A) and furnish the paper books and written submissions. In the appellate proceedings, the Ld. CIT(A) after relying on the judgments, he dismissed the appeal of the assessee. We also gone through the paper books filed by the assessee containing page no. 1 to 59 which is placed on record. On perusal of the documents produced before us and considering the arguments and in the interest of justice and the facts of the case, we think fit that this case should be decided afresh. Therefore, the issue is remitted back to the file of AO, for denovo consideration and deciding the issue as per law after giving a reasonable opportunity of being heard to the assessee and the assessee is directed to substantiate its case with cogent documents in support of the case and not to seek any unnecessary adjournments for early disposal of the case. We make it clear that in case of failure no second leniency shall be granted to the assessee.

7. In the result, appeal of the assessee is allowed for statistical purposes.

Order pronounced on 08.01.2026

Sd/-
(Duvvuru RL Reddy)
Vice President

Sd/-
(Laxmi Prasad Sahu)
Accountant Member

Dated: 08.01.2026
AK, Sr. P.S.

Copy of the order forwarded to:

1. Appellant
2. Respondent
3. Pr. CIT
4. CIT(A)
5. CIT(DR)

//True copy//

By order

Assistant Registrar, Kolkata Benches