

**IN THE INCOME TAX APPELLATE TRIBUNAL
“C” BENCH, DELHI**

**BEFORE SHRI ANUBHAV SHARMA, JUDICIAL MEMBER &
SHRI KRINWANT SAHAY, ACCOUNTANT MEMBER**

ITA No. 3097/Del/2025

Seth PannaLal Charitable Trust, 90, New Grain Market, TaraoriKarnal, Haryana – 132001	Vs.	Commissioner of Income Tax (Exemptions), C.R. Building, 5 th Floor, Section – 17-E Chandigarh-160017
स्थायीलेखासं./जीआइआरसं./PAN/GIR No: AAYTS8601B		
Appellant	..	Respondent

Appellant by :	Sh. Ved Jain, Adv. Sh. PawanGarg, CA Ms. Ishika Dua, CA
Respondent by :	Sh. Dayainder Singh Sidhu, CIT, DR

Date of Hearing	18.11.2025
Date of Pronouncement	04.02.2026

ORDER

PER ANUBHAV SHARMA, JM:

This appeal is preferred by the Assessee against the order dated 07.03.2025 of the Commissioner of Income-tax, Exemption,

Chandigarh(hereinafter referred as Competent Authority) against the rejection of Form 10AB and consequent cancellation of registration granted under Section 12AB of the Act.

2. Heard and perused the records. The applicant Trust was created on 15.10.2019 and had sought registration u/s 12AAB of the Act by filing Form No. 10AB on 30.09.2023.The notes of activities of the Trust was filed along with Form No. 10A and same mentions as follow:

- “a) To feed poor people and to start free homes/dharamshala and free hostels.
- b) To provide fees, books, equipments, freeships, and/or scholarship to deserving students.
- c) To help and assist poor and deserving people in marriage.
- d) To conduct seminars/workshops and arrange special tuition/training for students.
- e) To provide/assist in setting up laboratories.
- f) To make donations to other public charitable Trusts/institutions providing relief to poor, animals and engaged in social activities.
- g) To set up and operate schools/colleges.
- h) To conduct nutritional and health services.
- i) To conduct/operate programs for providing nutritional assistance e.g. to operate a school/lunch/food programs for children, operate nutritional supplement programs for needy women which shall be provided/conducted/distributed free of charge.
- J) Testing of diets from nutritional view point.
- k) To render assistance to poor patients by providing medicines etc. provisions of health care, preventive medical services (including dental services).

- l) Assistance to hospitals in setting up the various facilities such as Blood Bank, Eye Bank, Burn Centers, etc, for the poor patients.
- m) Provisions of outdoor dispensary or assistance thereof and also to run "Mobile" medical services.
- n) Conduct education in health care or provide assistance in the provisions of primary health care education.
- o) To set up hospitals/nursing homes for children/women.
- p) To render assistance to the handicapped.
- q) To provide monetary assistance and social services in case of natural calamities.
- r) To render financial assistance to the poor and the disadvantaged.
- s) To promote and advance moral education, charity and general welfare of the people.
- t) Advancement of any other object of general public utility and relief like conducting seminars on educational advancement, providing necessary assistance during natural calamities and such other assistance as may be required from time to time.”

3. The impugned order shows a detailed questionnaire was raised by the competent authority which was responded the assessee by filing a reply dated 20.11.2024 and subsequently, the competent authority observed as follows:

“3.2 The reply of the assessee has been perused and it has been noticed that the assessee has submitted few donation paymentslips to the organizations namely:

- Kanya Gurukul Shiksha Samiti Karnal (Rs. 11,000/- on 01.07.2021),
- Shree Jairam Ashram Haridwar (Rs. 21,,000/- on 29.03.2022),
- Shree Gitakunj Amar Ashram Trust Kurukshetra (Rs. 21,,000/- on 30.03.2022, Rs. 2,51,000/- on 29.03.2023, Rs. 2,51,000/- on 22.08.2023, Rs. 2,51,000/- on 23.03.2024),

- Shree Thanaram Annkshetra Haridwar (Rs. 1,51,000/- on 28.03.2023)
- Shantivan Gopal Gaushala Taraori Karnal (Rs. 5,00,000/- on 24.03.2023, Rs. 5,00,000/- on 17.03.2024),
- Shree Radhakrishan Dham Haridwar (Rs. 1,51,000/- on 30.03.2024),”

4. The competent authority further observed that the assessee didn't submit any documentary evidence in the form of photographs, newspaper cuttings, etc., in support of his claim. It is also observed that the assessee is not making any regular donations throughout the year. The major portion of donations are made only in the month of March every year. Moreover, the amount of donations remains fixed such as Rs. 1,51,000/-, Rs. 2,51,000/- and Rs. 5,00,000/- which point towards circular transactions. Some of the trusts to which donations are made were not even registered trusts like Shantivan Gopal Gaushala or Shri Krishan Gopal Gaushala.

5. As from the information submitted by the assessee competent authority observed as follows:

“3.3 Further, it is observed from the ledger a/c submitted by the trust that:

i) *The Trust received donation from Shiv Shakti Inter Globe Exports amounting Rs. 5,00,000/- on 04.02.2020 and same day the amount was donated to Shree hanuman Sewa Samiti Taraori.*

ii) *Loan of Rs. 5,00,000/- was given to Shanti Van GopalGaushalla on 24.04.2020.*

iii) *Loan of Rs. 7,00,000/- received on 17.06.2020 from Sh. Ramesh Chand Gupta (chairman of the trust), but as per ledger account the trust did not have any usefulness of loan as the bank balance of trust was Rs. 18,97,931/- and also the trust had not used the Loan after receiving. The loan was returned back on 20.11.2020.*

iv) *The assessee trust has submitted voucher of purchase of rice from Shiv Shakti Interglobe Exports Pvt. Ltd, which is a related company as Sh. Ramesh Chand Gupta Chairman of the Trust is a Director in the said company.*

v) *Thereafter, a loan of Rs. 5,00,000/- was received back from Shanti Van Gopal Gaushalla on 04.07.2020 and the balance of the trust was 30,97,931/- and out of the balance a loan amounting Rs. 30,00,000/- given to Shiv Shakti Inter Globe Exports Pvt. Ltd., a related company of the assessee trust on 07.07.2020. The related company returned back the loan on 19.08.2020 with no interest.*

vi) *FDR amounting Rs. 20,00,000/- was purchased by the assessee trust on 19.11.2020.*

vii) *Loan received from Shiv Shakti Inter Globe Exports Pvt. Ltd. amounting Rs. 9,71,796/- on 27.03.2023, the assessee trust made some donation on 28.03.2023 and 29.03.2023 to other trusts. It is not understandable that if Shiv Shakti Inter Globe Exports Pvt. Ltd. which is a related company of the assessee trust want to do some charity than why the company not donated directly to the trust instead of the assessee trust.*

viii) *The same amount Rs. 9,71,796/- was donated by Shiv Shakti Inter Globe Exports Pvt. Ltd. on 30.03.2023 from which the assessee trust repaid the loan.*

ix) *Thereafter, some donations amounting to Rs. 11,00,000/- and Rs.4,00,000/- were received from Shiv Shakti Inter Globe Exports Pvt.Ltd. and the same were further donated by assessee trust to some other trust.*

4.1 Further, a query letter was issued to the assessee trust asking it to submit the following:

i) Legible copy of complete bank statement.

ii) Proof (such as photographs, newspaper cutting etc.) of charitable activities performed by the trust.

iii) Perusal of the documents submitted by you reveals that the trust is making purchases from Shiv Shakti Inter Globe Exports Pvt. Ltd. Sh.Ramesh Chand Gupta (Trustee) is also a Director of Shiv Shakti

Inter Globe Exports Pvt. Ltd. Further, it is observed that Shiv Shakti Inter Globe Exports Pvt. Ltd is also donating huge funds to the trust. Ledger accounts also mention loan taken by the trust from Shiv Shakti Inter Globe Exports Pvt. Ltd. The books of accounts do not show any outstanding Loans for the relevant years. Please explain the nature of transactions between the two entities.

4.2 In response to the above said queries, the assessee submitted copy of bank statement. But the assessee failed to submit any proof of charitable activities performed by the trust. No clear reply has been submitted by the assessee regarding its nature of transactions with Shiv Shakti Inter Globe Exports Pvt. Ltd. The reply of the assessee is reproduced as under:

“2. That the assessee trust is established solely for providing the relief to the poor and is providing free food by way of distribution of food to the needy and poor people without any distinction of caste, colour and creed. The trust is also helping other NGO by organizing free food to the people at large by way of bhandara etc. The details of contribution made by the trust to the other NGO's has already been submitted to your goodself vide Annexure 7 of our reply dated 20.11.2024.

3. That the assessee has purchased rice from M/s Shiv Shakti Interglobe Exports Private Limited on cost to cost basis as one of the trustee is director in the said company. The trust has purchased this rice for free distribution amongst the needy people. The market price of

the rice were higher and for the noble cause of charity, the rice was purchased from Shiv Shakti Interglobe Exports Private Limited on cost basis. That regarding loan taken from Shiv Shakti Interglobe Exports Pvt limited by the trust, it is submitted that the trust has requested the company for making donation for furtherance of its activities. The amount was transferred to the trust, but due to inadvertence. Which was shown as loan by the trust. However when the donation was finalized the loan was repaid by the assessee trust. The transaction has never provided any beneficial gain in any manner to Shiv Shakti Interglobe Exports Private Limited."

5. The reply of the assessee is not tenable as the assessee trust is failed to provide any proof of charitable activities performed by the trust. Regarding transaction with Shiv Shakti Inter Globe Exports Pvt. Ltd. the reply of the assessee is not acceptable as the assessee has also given loan of Rs.30,00,000/- to Shiv Shakti Inter Globe Exports Pvt. Ltd. which is related company of the assessee trust instead of being utilized for charitable purposes. It is seen that the amounts received from Shiv Shakti Inter Globe Exports are taken as loans or donations and then booked as FDs and little is spent on making further donations to other trusts some of which are not even registered.

6. Upon scrutiny of the financial statements and activities undertaken by the assessee trust, it has been observed that:

i) The primary activity of the trust/institution is making donations to other trusts irrespective of the fact whether they are registered or not.

ii) Substantial amounts have been given as loans to related parties instead of being utilized for charitable purposes.

iii) No significant systematic charitable activities in line with the objectives mentioned in the trust deed were carried out during the relevant period.

iv) There is an absence of any tangible evidence indicating that the trust has engaged in genuine charitable activities benefiting the general public.

7. Section 12AB of the Income Tax Act, 1961, requires that the applicant entity should be engaged in activities that are genuinely charitable in nature as per the definition provided under Section 2(15) of the Act. However, the assessee trust has not demonstrated any actual charitable work benefiting society. The mere act of giving donations to related parties and advancing loans cannot be considered as activities in pursuance of charitable purposes.

8. In view of the above discussions, the present application of the applicant filed in Form 10AB u/s 12A(1)(ac)(iii) of the Act is rejected of as the applicant has failed to provide any details or proofs of its activities. In the absence of the same, it is difficult to ascertain the genuineness of the activities being carried out by the applicant. Accordingly, the application filed by the applicant for registration u/s

12A(1)(ac)(iii) of the Act is hereby rejected, which also supersede any registration granted u/s 12AB of the Act by any authority at any earlier time.

6. On hearing both sides we further find that primarily the competent authority has doubted the activities on the basis of manner of use of funds but the moot question is whether at the stage of considering application for registration u/s 12A the scope of inquiry requires or provides powers to examine the financial aspects of the applicant. In this regard we are of the considered view that certainly to the extent that the financial aspect of the applicant relate to the understanding of genuineness of the activities the competent authority can certainly examine the issue but otherwise it is the genuineness of activities as a whole as reflected from the documents incorporating the applicant institution seeking the registration u/s 12A which can only indicate the dominant purpose of the institution, its composition and its prospective activities which indicate the intention of settlers or founding members of the institution seeking registration u/s 12A of the Act, to achieve the objectives.

7. After appreciating the impugned order of Id. Competent Authority we find that the allegation is that the major portion donations are made only in the

month of March every year for which there is a justification that it is only once the assessee has an account of what would be the surplus or otherwise, that the assessee would consider making the donations if any or not.

7.1 The competent authority doubts donations being in the denominations of Rs.1,51,000, Rs.2,51,000/- and Rs. 5,00,000/- and allegedly same point out towards circular transactions. However, as a matter of practice such donations are in such denominations only being considered sacrosanct and otherwise to the figures are not reflecting some scrupulous activities.

7.2 The competent authority has observed that the some of the donations have been made to non-registered trust for which there is little doubt that charitable trust can make donations to other charitable trust and Instruction No. 1132 of CBDT dated 05.01.1978 specifically refers to the same and which seems to have escaped the attention of competent authority.

7.3 As with regard to Trust receiving the donations from Shiv Shakti Inter Globe Exports amounting to Rs.5,00,000/- on 04.02.2020 and that on same day the amount was donated to Shree Hanuman SewaSamitiTaraori. We find no reason to doubt the activities being not genuine as there is no allegation or

evidence to establish that the entity receiving the donations was non existent or non functional.

8. As with regard to loan of Rs.5,00,000/- was given to Shanti Van Gopal Gaushalla on 24.04.2020.We are of the considered view that in helping another trust like Shanti Van Gopal Gaushalla by giving temporary loan is not prohibited under the law. On the contrary, the Trust deed has one of the objects of the Trust to make the donations to other public charitable Trust/institutions who are promoting the same object.

9. In regard to loan of Rs.7,00,000/-. We are of the considered view that receiving loan from the Chairman of the Trust is not prohibited and also the return of the same is not prohibited activity for a Trust. There is no allegation that some benefit has been taken by the Chairman of the Trust instead he has helped the trust.

10. In regard to assessee trust purchasing of rice from Shiv Shakti Interglobe Exports Pvt. Ltd, which is a related company as Sh. Ramesh Chand Gupta Chairman of the Trust is a Director in the said company.We are of the considered view that purchase of rice from Shiv Shakti Inter Globe Exports Pvt. Ltd. which is related to the Chairman is too not some prohibited

activity under law more so when same is not doubted for inadequacy. There is no allegation that purchase price for the rice was above the market price or some undue advantage has been taken.

11. Coming to examination of transaction of loan of Rs. 5,00,000/- was received back from Shanti Van Gopal Gaushalla on 04.07.2020 and the balance of the trust was 30,97,931/-and out of the balance a loan amounting Rs. 30,00,000/- given to Shiv Shakti Inter Globe Exports Pvt. Ltd., a related company of the assessee trust on 07.07.2020. The related company returned back the loan on 19.08.2020 with no interest. We are of the considered view that any benefit is given to the Shiv Shakti Inter Globe Exports Pvt. Ltd., that can be the subject matter of an assessment and may not cause rejection of registration. Moreover, advance was given for the purchase of rice. It was never a loan, the amount was only paid for purchase of rice, which was later not purchased and the money was returned back.

12. Coming to FDR amounting Rs. 20,00,000/- was purchased by the assessee trust on 19.11.2020. We are of the considered view that there is nothing wrong in the FDR purchased by the Trust. On the contrary, keeping surplus funds in Bank Deposits is quite reasonable and justified.

13. Then with regard to Loan received from Shiv Shakti Inter Globe Exports Pvt. Ltd. amounting Rs. 9,71,796/- on 27.03.2023, the assessee trust made some donation on 28.03.2023 and 29.03.2023 to other trusts. Competent authority observes that it is not understandable that if Shiv Shakti Inter Globe Exports Pvt. Ltd. which is a related company of the assessee trust want to do some charity than why the company not donated directly to the trust instead of the assessee trust. The same amount Rs. 9,71,796/- was donated by Shiv Shakti Inter Globe Exports Pvt. Ltd. on 30.03.2023 from which the assessee trust repaid the loan. Thereafter, some donations amounting to Rs. 11,00,000/- and Rs. 4,00,000/- were received from Shiv Shakti Inter Globe Exports Pvt. Ltd. and the same were further donated by assessee trust to some other trust.

13.1 We are of the considered view that the assessee trust has received amount from company of Chairman and hence, given donation to another Trust as stated hereinabove is legally permissible and there is no bar on this issue.

14. In the light of aforesaid discussion we are of considered view that competent authority has somehow gone too far to examine the financial

actions of Trust, to doubt the genuineness of the activity and more specifically the observation in para 8 of the impugned order that “*it is difficult to ascertain the genuineness of the activities being carried out by applicant*”, it self makes the impugned order unsustainable under law.

15. The competent authority has then erred in also passing an order of ‘superseding’ registration granted u/s 12AB of the Act, without following the due process, u/s 12AB(4) of the Act by referring to ‘specified violation’.

16. We are thus inclined to sustain the grounds and set aside the impugned order and **allow the appeal** with a direction to Id. Competent Authority to allow the form 10 AB with consequential effects.

Pronounced today in open court on 04.02.2026

Sd/-
(KrinwantSahay)
ACCOUNTANT MEMBER

Sd/-
(Anubhav Sharma)
JUDICIAL MEMBER

Dated 04.2.2026
Rohit, Sr. PS

Copy forwarded to:

1. Appellant
2. Respondent
3. CIT

4. CIT(Appeals)
5. DR: ITAT

ASSISTANT REGISTRAR
ITAT NEW DELHI

1.	Date of dictation of Tribunal Order	.11.2025
2.	Date on which the typed draft Tribunal Order is placed before the Dictation Member	.11.2025
3.	Date on which the typed draft Tribunal Order is placed before the other Member	
4.	Date on which the approved draft Tribunal Order comes to the Sr. P.S. /P.S.	
5.	Date on which the fair Tribunal Order is placed before the Dictating Member for pronouncement ;	
6.	Date on which the signed order comes back to the Sr. P.S./P.S	
7.	Date on which the final Tribunal Order is uploaded by the Sr. P.S. /P.S. on official website	
8.	Date on which the file goes to the Bench Clerk along with Tribunal Order	
9.	Date of killing off the disposed of files on the judiSIS portal of ITAT by the Bench Clerks	
10.	Date on which the file goes to the Supervisor (Judicial)	
11.	Date on which the file goes for Xerox	
12.	Date on which the file goes for endorsement	
13.	Date on which the file goes to the superintendent for checking	
14.	The date on which the file goes to the Assistant Registrar for signature on the tribunal order	
15.	Date on which the file goes to dispatch section	
16.	Date of Dispatch of the Order	