

IN THE INCOME TAX APPELLATE TRIBUNAL

"C" BENCH, MUMBAI

BEFORE SHRI VIKRAM SINGH YADAV, ACCOUNTANT MEMBER

SHRI SANDEEP SINGH KARHAIL, JUDICIAL MEMBER

ITA No. 7766/MUM/2025
(Assessment Year : 2014-15)

ITA No. 7767/MUM/2025
(Assessment Year : 2015-16)

**Powerloom Development & Export
Promotion Council,**

No.GC-2, Gundecha Onclave, Ground Floor,
Kherani Road, Sakinaka, Andheri (East)
Mumbai - 400072
PAN: AAATP0271E

..... Appellant

v/s

**Income Tax Officer (Exemption),
Ward-2(2)**

MTNL Telephone Ex. Building,
Cumbella Hills, Peddar Road,
Mumbai - 400026

..... Respondent

Assessee by : Shri S.L. Jain

Revenue by : Shri Virabhadra Mahajan, Sr. DR

Date of Hearing – 09/02/2026

Date of Order - 13/02/2026

ORDER

PER SANDEEP SINGH KARHAIL, J.M.

The assessee has filed the present appeals against the separate impugned orders of even date 30.10.2025, passed under section 250 of the Income Tax Act, 1961 ("*the Act*") by the learned Commissioner of Income Tax (Appeals), National Faceless Appeal Centre, Delhi [*learned CIT(A)*], for the assessment years 2014-15 and 2015-16.

2. Since both the appeals pertain to the same assessee, involving identical issues arising out of a similar factual matrix, these appeals were

heard together, as a matter of convenience, and are being disposed of by way of this consolidated order. With the consent of the parties, the appeal for the assessment year 2014-15 is considered as a lead case, and the decision rendered therein shall apply *mutatis mutandis* to the appeal for the assessment year 2015-16.

3. As in both the appeals, the assessee has raised similar grounds, the grounds raised in the appeal for the assessment year 2014-15 are reproduced as follows for ready reference: -

"1. The Ld. CIT(A) erred in holding that Appellant is not entitled to exemption u/s.11 as the appellant is engaged in the activity in the nature of trade, commerce or business or render services in relation thereto without properly applying the provisions of the law.

2. The Ld. CIT(A) ought to have considered that appellant is registered under the provisions of Sec.25 of Companies Act, 1956 as a non-profit organisation prohibited to distribute any income amongst its members and appellant complies with all requirements of Sec.11 of I.T. Act and its dominant object is charitable, being a trade association formed and acting for the purpose of development of powerloom industry and its export.

3. The Ld. CIT(A) ought to have considered that appellant was granted registration u/s. 12A of Income Tax Act, after considering objects of the Appellant. Hon'ble Tribunal in appellant's appeal for A.Y.2013-14 held that if activity carried is for which the appellant is registered u/s 12A it will be entitled for exemption u/s 11 and set aside issue for re-adjudication. It is apparent on record that the Appellant has not carried any activity beyond its objects for which registered.

4. The appellant prays that exemption u/s.11 be granted to the appellant."

4. The solitary grievance of the assessee is against the denial of exemption under section 11 of the Act.

5. The brief facts of the case are that the assessee is a company registered under section 25 of the Companies Act, 1956 and is being promoted by the Ministry of Textiles, Government of India, with the object of

promoting the powerloom industry and exports thereof. As per the assessee, it has been granted exemption under section 11 of the Act since its inception, in the assessment year 2011-12.

6. For the assessment year 2014-15, the assessee filed its return of income on 29.09.2014, declaring a total income of Rs. Nil, after claiming exemption under section 11 of the Act. As per the assessee, its objects are for the promotion of trade, commerce or business, which are charitable in nature, and therefore, it is entitled to exemption under section 11 of the Act. The return filed by the assessee was selected for scrutiny, and statutory notices under sections 143(2) and 142(1) were issued and served on the assessee. During the assessment proceedings, on verification of the income and expenditure account for the assessment year 2014-15, it was observed that the assessee earned the following income: -

<i>Sr.no.</i>	<i>Nature of income</i>	<i>Amount (Rs.)</i>
1	Membership Subscription	25,63,605
2	Grant for integrated Powerloom Development Scheme	86,43,229
3	MAI Grants	84,33,018
4	MDA Grants	7,20,521
5	Participations Fee	46,88,712
6	Grant for Exposure Visits	4,50,000
7	Training Fees	6,88,400
8	Interest on Investments	85,75,256
9	Prior Period Income	6,17,843
10	Office Rent	6,64,827
11	Miscellaneous income	76,616
	TOTAL	3,61,22,027

7. Accordingly, the assessee was asked to explain as to why the first proviso to section 2(15) of the Act should not be applied, as its activities were in the nature of trade, commerce or business, etc., during the year.

Further, the assessee was asked as to why the interest income amounting to Rs.85,75,256/- received during the year be not brought to tax as non-mutual income. In response, the assessee submitted that the concept of mutuality is applicable to the assessee and, therefore, no amount of assessee's income can be taxed on the basis of the normal provisions of the Act for the year under consideration. It was further submitted that the assessee only takes participation fees for exhibitions organised by it, that too from members only and not from outsiders. It was submitted that the said participation fee is only for the recovery of part of the cost and not for the purpose of making any profit. Further, it was submitted that the remaining cost of organising such exhibitions is borne by the assessee from the grants received. Thus, it was submitted that the amounts received from the members are utilised for the common purpose of the members, and there is no benefit to the outsiders. Further, as the amount received from the members for participation is less compared to the cost of the exhibitions organised, and the remaining cost is borne from the grants received, no amount of profit can be made by the assessee from the amount received from its members. As regards the interest income earned by the assessee, it was submitted that the same has earned on the investments made as per the provisions of Section 11(5) of the Act. The assessee submitted that the said investments are made to provide the exemption from payment of tax, and if the interest income is taxed on providing such investments, the same would be unjust and unfair to the assessee. Thus, the assessee submitted that the interest income earned on the funds accumulated should be treated

as income derived from the property held under trust, eligible for exemption under Section 11 of the Act.

8. The Assessing officer ("AO"), vide order dated 28.12.2016 passed under section 143(3) of the Act, disagreed with the submissions of the assessee and held that Circular No.11 of 2008 dated 19.12.2008 issued by the CBDT applies to the assessee, and therefore, the principle of mutuality is to be followed. Accordingly, the AO held that the interest income by no stretch of reasoning or imagination can be said to have been received from the members. Accordingly, in the light of the decision of the Hon'ble Supreme Court in Bangalore Club vs. CIT, in Civil Appeal No.124 of 2007 dated 14.01.2013, the AO brought to tax the interest income and other non-mutual income received by the assessee and assessed the total income of the assessee at Rs.99,34,540/-.

9. The learned CIT(A), vide impugned order, dismissed the ground raised by the assessee on this issue and upheld the findings of the AO that under the principle of mutuality the interest income from banks and other non-mutual income cannot be claimed as exempt as the same are not received from members of the assessee but was income from the third party. Being aggrieved, the assessee is in appeal before us.

10. During the hearing, the learned Authorised Representative ("*learned AR*") reiterated the submissions made by the assessee before the lower authorities and submitted that the assessee is entitled to claim exemption

under section 11 of the Act in respect of income earned during the year under consideration.

11. On the other hand, the learned Departmental Representative ("*learned DR*"), by vehemently relied upon the orders passed by the lower authorities, submitted that the interest income and other non-mutual income received by the assessee from the third party does not fall within the ambit of the principle of mutuality and therefore, the addition has correctly been made by the AO.

12. We have considered the submissions of both sides and perused the material available on record. As per the assessee, since it has been registered under section 25 of the Companies Act, 1956, and all its objects are charitable in nature, it is entitled to claim exemption under section 11 of the Act. It is evident from the perusal of the record that the lower authorities applying the principle of mutuality made the addition in respect of interest income, prior period income, office rent and miscellaneous income earned by the assessee during the year under consideration, as the same do not fall within the ambit of the principle of mutuality, and these receipts were received from third party. However, it is the plea of the assessee that these incomes are also eligible for exemption under section 11 of the Act, as the same have been derived from the property held under a trust. We find that in this regard extensive submissions were made by the assessee before the AO as well as before the learned CIT(A). However, neither authority has rendered any findings in respect of the claim of the assessee seeking exemption under section 11 of the Act in respect of these

receipts. We find that in support of its claim, the assessee also relied upon various judicial pronouncements. However, none of these decisions were considered by any of the lower authorities. Therefore, in the interest of justice and fair play, we deem it appropriate to restore the matter to the file of the AO to decide the issue whether the assessee is eligible for claiming exemption under section 11 of the Act in respect of the income earned during the year under consideration after necessary verification/examination of the details available on record as well as may be filed by the assessee. Since the matter is restored to the file of the AO for consideration afresh, the assessee is directed to bring on record all the necessary documents in support of its claim for complete adjudication of this issue. Needless to mention, no order shall be passed without affording adequate and reasonable opportunity of hearing to the assessee. During the hearing, the learned AR placed reliance upon the decision rendered by the Coordinate Bench in the assessee's own case for assessment year 2013-14 in ITA No.1060/Mum/2025. From the careful perusal of the said decision, we find that the issue has been restored to the file of the AO. Since we have also restored the matter to the file of the AO for consideration afresh, all the arguments of the assessee in respect of its claim of exemption under section 11 of the Act are open. With the above directions, the impugned order is set aside, and the grounds raised by the assessee in its appeal for the assessment year 2014-15 are allowed for statistical purposes.

13. As in appeal for the assessment year 2015-16, the impugned addition was made on similar basis and there are no findings on the issue whether

the assessee is entitled to claim exemption under section 11 of the Act in respect of income earned during the year, we are of the considered view that our findings as rendered in assessee's appeal for the assessment year 2014-15 shall apply *mutatis mutandis* to this appeal. Accordingly, with similar direction, the impugned order in the assessee's appeal for the assessment year 2015-16 is set aside and the grounds raised by the assessee are allowed for statistical purposes.

14. In the result, both the appeals by the assessee are allowed for statistical purposes.

Order pronounced in the open Court on 13/02/2026

Sd/-

**VIKRAM SINGH YADAV
ACCOUNTANT MEMBER**

Sd/-

**SANDEEP SINGH KARHAIL
JUDICIAL MEMBER**

MUMBAI, DATED: 13/02/2026

Prabhat

Copy of the order forwarded to:

- (1) *The Assessee;*
- (2) *The Revenue;*
- (3) *The PCIT / CIT (Judicial);*
- (4) *The DR, ITAT, Mumbai; and*
- (5) *Guard file.*

By Order

Assistant Registrar
ITAT, Mumbai.