

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

**BEFORE SHRI SIDDHARTHA NAUTIYAL, JUDICIAL MEMBER
& SHRI NARENDRA PRASAD SINHA, ACCOUNTANT MEMBER**

I.T.A. Nos.703 & 704/Ahd/2025
(Assessment Years: N.A.)

Charotar Bhal Rize Foundation, Chanshyam Chunilal Thakka Darwaja Ni Khadaki, At Post Tarapur, Anand-388180	Vs.	Commissioner of Income Tax (Exemption), Ahmedabad
[PAN No.AACTC0173A]		
(Appellant)	..	(Respondent)

Appellant by :	Shri Mehul K. Patel, AR
Respondent by:	Shri Rignesh Das, CIT-DR

Date of Hearing	12.02.2026
Date of Pronouncement	17.02.2026

O R D E R

PER SIDDHARTHA NAUTIYAL - JUDICIAL MEMBER:

Both appeals have been filed by the Assessee against order passed by Ld. Commissioner of Income Tax (Exemption), (in short “Ld. CIT(E)”), Ahmedabad vide orders dated 27.12.2024. Since common facts and issues for consideration are involved for both the years under consideration, both the appeals are disposed of by way of a common order.

We shall first discuss the assessee’s appeal (in ITA No. 703/Ahd/2025)

2. The assessee has taken the following grounds of appeal:

ITA No. 703/Ahd/2025

“1. That on facts, and in law, the learned CIT(Exemptions), Ahmedabad has grievously erred in rejecting the application for registration/s.12A(1)(ac)(iii) of the Act on the ground that the trust is not carrying out any activity of charitable or religious nature in accordance with the objects of the without appreciating the fact that the trust is in fact

carrying out activities of charitable nature for the benefit of small and marginal farmers and that the facilities for the same have been set-up by the Gujarat Government.

2. *That the Ld. CIT(Exemption) erred in rejecting the appellant's application on the grounds of Explanation (d) to Section 12AB(4), without properly considering the facts and evidence submitted regarding the scope of the trust's beneficiaries and hence ought to have allowed the application for approval filed by the appellant on merits.*

3. *The appellant craves leave to add, alter, amend or modify all or any ground of appeal."*

ITA No. 704/Ahd/2025

"1. *That on facts and in law, the learned CIT(Exemptions), Ahmedabad has grievously erred in rejecting the application for registration u/s. 80G(5)(iv)(B) of the Act as non-maintainable on the ground that since application for approval of registration u/s. 12A/12B having rejected there is no valid order for registration, which is a prerequisite for grant of approval u/s.80G of the Act.*

2. *That since on facts and in law, the approval for registration u/s.80G(5)(iv)(B) being consequential to the approval for registration u/s.12A/12B of the Act, the appeal against the order in dispute may be decided on the outcome of the appeal filed against rejection of approval u/s.12A/12B dated 27/12/2024.*

3. *The appellant craves leave to add, alter, amend or modify all or any ground of appeal."*

3. The assessee has filed application for condonation of delay of 32 days in filing of the present appeal. The delay is condoned looking into the smallness of delay causing no perceptible prejudice to the other side and in the interest of justice.

4. On merits, the brief facts of the case are that the assessee trust, namely Charotar Bhal Rize Foundation had been granted provisional registration under section 12A(1)(ac)(vi) of the Income-tax Act, 1961 ("the Act"), vide Form No. 10AC dated 08.11.2024, effective from Assessment Year 2023-24. Subsequently, the assessee filed an application in Form No. 10AB seeking regular registration under section 12A of the Act. In connection with the said application, the learned Commissioner of Income-tax (Exemptions),

Ahmedabad, issued notices to the assessee asking the assessee to furnish various details and documents. In response, the assessee filed a reply dated 19.09.2024 and submitted certain information.

5. On examination of the activity note, audited accounts and other material placed on record, the learned **CIT(Exemptions)** **observed that the assessee was engaged in operating a rice mill cluster and earning income from milling activities.** Since the activity appeared to be in the nature of business or commercial activity, CIT(Exemptions) issued a show cause notice dated 17.12.2024 to the assessee asking it to explain **how the rice mill activity and the income earned therefrom could be treated as charitable in nature, to clarify the specific objects of the trust under which such income was generated, and to explain whether separate books of account were maintained.** The assessee was also called upon to show cause as to why its application in Form No. 10AB should not be rejected and why its provisional registration should not be cancelled.

6. In response to the said show cause notice, the assessee filed its reply dated 19.12.2024 **stating that the trust had been formed to generate employment and to undertake welfare activities for small and marginal farmers in a paddy-growing area.** It was submitted that the rice mill cluster was set up as per the norms of the Government of Gujarat and functioned as a common facility where farmers could get their paddy milled into rice at nominal charges, which were stated to be lower than those charged by other rice millers. The assessee further submitted that separate books of account were maintained for the rice mill activity and for the trust, and that the rice milling income was related to **object clauses 7, 9, 10 and 11 of the trust**

deed. Copies of the profit and loss account and balance sheet of the rice mill unit for the year ended 31.03.2024 were also furnished.

7. After considering the reply of the assessee, the learned CIT(Exemptions) found the explanation to be unsatisfactory. On perusal of the audited accounts for Financial Years 2020-21 and 2021-22, it was observed that **one of the main sources of income of the trust was from trading, sales or business activities relating to the rice mill, and that no expenditure had been incurred towards other stated charitable objects of the trust**. It was further noted that all the expenses incurred were only in connection with **the operation of the rice mill**. The learned CIT(Exemptions) held that the assessee had failed to substantiate its claim that the rice mill activity was charitable in nature within the meaning of section 2(15) of the Act, **as no comparative rate charts or documentary evidence were furnished to show that the charges were substantially lower than those of other rice millers, nor was any evidence produced to establish that the assessee was set up by the Government of Gujarat**. The issue as to how collection of fees for rice processing and packaging could be regarded as a charitable activity also remained unanswered by the assessee.

8. The learned CIT(Exemptions) further observed that the assessee had claimed advancement of “any other object of general public utility” as one of its objects. Referring to the proviso to section 2(15) of the Act, CIT(Exemptions) held that where such advancement involves carrying on activities in the nature of trade, commerce or business for a fee or consideration, the same would not qualify as a charitable purpose unless the activity was incidental and the aggregate receipts did not exceed the

prescribed limit. On examination of the audited accounts, it was found that the income from business activities far exceeded the permissible limits in relation to the total receipts of the trust for the relevant years. Accordingly, it was held that the assessee had violated the provisions of sections 2(15), 11(4) and 11(4A) of the Act.

9. The CIT(Exemptions) also observed that the assessee had not furnished mandatory documents as required under Rule 17A of the Income-tax Rules, 1962, including self-certified copies of audited accounts and audit reports for earlier years where income included profits and gains of business. The learned CIT(Exemptions) further recorded that the assessee was running a rice mill, collecting processing charges, acting as an employer and **participating in Government tenders, all of which clearly indicated a commercial intent and a profit motive, with no apparent element of public charity.**

10. In view of the above facts and findings, the learned CIT(Exemptions) held that the objects and activities of the assessee trust were not charitable in nature and were not meant for the benefit of the public at large. Accordingly, Ld. CIT (Exemptions) held that the assessee was not eligible for registration under section 12A of the Act. The application filed in Form No. 10AB was therefore rejected, and the provisional registration earlier granted was cancelled. The learned CIT(Exemptions) further directed the assessee to compute and discharge its tax liability under section 115TD of the Act, 1961, within the prescribed time limit and in accordance with the applicable Rules.

11. The assessee is in appeal before us against the order passed by CIT(Appeals) dismissing the appeal of the assessee.

12. Before us, the Counsel for the assessee submitted that the assessee trust had also been granted registration u/s 12A of the Act on identical facts in earlier years as well. The Counsel for the assessee drew our attention to the Objects of the Trust and said that the activities are covered under Paragraphs 7, 9 and 10 of the Trust Deed. Further, the Counsel for the assessee submitted that the assessee trust has been funded entirely by the Govt. and if given another opportunity of hearing, the assessee would be in a position to demonstrate the same as well. Further, the Counsel for the assessee submitted that the assessee trust been charging a nominal fee resulting into consistent incurrence of losses as may be seen from the profit and loss account. The Counsel for the assessee submitted that the the assessee trust has been formed for the purpose of benefit of farmer community.

13. In response, the Ld. DR placed reliance on the observations made by the CIT(Exemptions) in his order.

14. We have heard the rival contentions and perused the material on record. Before us, the Counsel for the assessee has submitted that the assessee trust has been funded entirely by the Govt. and has also pointed out from the Balance Sheet that substantial amount was received from the Govt. However, on perusal of the documents placed before us, it is not clear for what purpose the amount was received from the Govt. Also, we observe that the assessee has been charging a sum from farmers, which as per the assessee is a nominal amount, but no comparative chart has been furnished to demonstrate that the

assessee is charging lesser amount than the market price. We are of the considered view that just because the assessee trust is incurring losses does not ipso facto demonstrate that it is charging a nominal sum from the farmers unless the assessee submits a comparative chart. Also, evidently, the assessee trust is also not carrying out any independent charitable activity as per the other Objects of the Trust Deed and the activities of the assessee trust are confined to only running of a rice mill.

15. We find that the core dispute in the present appeal relates to the nature of activities carried out by the assessee trust, the character of income earned from running the rice mill cluster and the assessee's claim that its activities are charitable in nature and eligible for registration and exemption under the Act. Before us, the assessee has contended that it is completely Government aided and that substantial grants have been received from the Government. However, from the material presently available on record, it is not clear as to the specific purpose for which such Government grants were sanctioned, the conditions attached thereto and whether the assessee is wholly or substantially dependent on Government funding for carrying out its activities. Further, though the assessee has submitted that it is charging only a nominal amount from farmers and that its activities are meant for the benefit of the farmer community, no comparative chart or supporting material has been furnished to demonstrate that the charges levied by the assessee are significantly lower than the prevailing market rates charged by other rice millers, so as to rule out a profit motive.

16. We are of the considered view that mere incurrance of losses by itself does not conclusively establish that the charges are nominal or that the

activity is charitable in nature. It is also evident that the activities of the assessee trust are presently confined mainly to running of a rice mill, and the assessee has not placed sufficient material on record to demonstrate how its activities fall within the charitable objects of the trust deed and how the benefit of exemption should be extended to it. In these circumstances, we are of the view that the matter requires a fresh and comprehensive examination after giving the assessee an one opportunity to substantiate its claim with proper documentary evidence.

17. Accordingly, in the interest of justice, we set aside the impugned order passed by the learned CIT(Exemptions) and restore the matter to his file for de-novo consideration. The learned CIT(Exemptions) shall examine the issue afresh in accordance with law after affording reasonable opportunity of being heard to the assessee. The assessee shall demonstrate, by placing necessary documents on record, the purpose for which the Government grants were received, whether it is wholly or substantially Government aided, and the manner in which such grants are utilised. The assessee shall also furnish a proper comparative chart showing the rates charged by it vis-à-vis the rates charged by other rice millers in the same area to substantiate its claim that only a very nominal amount is charged from farmers. Further, the assessee shall explain, with supporting material, how its activities are benefitting the farmers and why it should not be presumed that it is running a regular rice mill with a profit motive, and consequently, why the benefit of registration and exemption under the Act should be granted to it. The learned CIT(Exemptions) shall consider all the material placed on record and pass a speaking order in accordance with law.

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

19. Since the present matter regarding grant of registration u/s 12A of the Act has been restored to file of CIT(Exemptions) for de-novo consideration, therefore the other appeal of the assessee regarding grant of registration u/s 80G of the Act is also restored to the file of CIT(Exemptions) for de-novo consideration.

20. In the combined result, both the appeals of the assessee are allowed for statistical purposes.

This Order is pronounced in the Open Court on	17/02/2026
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Sd/-
(NARENDRA P. SINHA)
ACCOUNTANT MEMBER

Ahmedabad; Dated 17/02/2026

TANMAY, Sr. PS

TRUE COPY

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

1. अपीलार्थी / The Appellant
2. प्रत्यर्थी / The Respondent.
3. संबंधित आयकर आयुक्त / Concerned CIT
4. आयकर आयुक्त(अपील) / The CIT(A)-
5. विभागीय प्रतिनिधि, आयकर अपीलीय अधिकरण, अहमदाबाद / DR, ITAT, Ahmedabad
6. गार्ड फाईल / Guard file.

आदेशानुसार/ BY ORDER,

उप/सहायक पंजीकार (Dy./Asstt.Registrar)
आयकर अपीलीय अधिकरण, अहमदाबाद / ITAT, Ahmedabad