

आयकर अपीलीय अधिकरण, चण्डीगढ़ न्यायपीठ, चण्डीगढ़
IN THE INCOME TAX APPELLATE TRIBUNAL
DIVISION BENCH, 'B' CHANDIGARH

BEFORE SHRI RAJPAL YADAV, VICE PRESIDENT AND
SHRI MANOJ KUMAR AGGARWAL, ACCOUNTANT MEMBER

आयकर अपील सं./ ITA No. 1633/CHD/2025

निर्धारण वर्ष / Assessment Year: 2022-23

Sacred Heart Educational Society, Village – Dosanj Road, Moga.	Vs	The CIT (Exemptions), Chandigarh.
स्थायी लेखा सं./PAN NO: AADTS6234P		
अपीलार्थी/Appellant		प्रत्यर्थी/Respondent

आयकर अपील सं./ ITA No. 1634/CHD/2025

निर्धारण वर्ष / Assessment Year: 2026-27

Sacred Heart Educational Society, Village – Dosanj Road, Moga.	Vs	The PCIT (Exemptions), Chandigarh.
स्थायी लेखा सं./PAN NO: AADTS6234P		
अपीलार्थी/Appellant		प्रत्यर्थी/Respondent

Assessee by : Shri Sudhir Sehgal, Advocate and
Shri Rohit Garg, CA

Revenue by : Shri Bharat Bhushan Garg, CIT DR

Date of Hearing : 27.01.2026

Date of Pronouncement : 17.02.2026

HYBRID HEARING

ORDER

PER RAJPAL YADAV, VP

The present two appeals are directed at the instance of
the assessee against the separate orders of ld.

Commissioner of Income Tax (Exemptions) [in short 'the CIT (E)'] dated 25.11.2025.

2. In ITA No. 1633/CHD/2025, the assessee has taken six grounds of appeal which contain 8 sub-grounds under Ground No.3. However, in brief, grievance of the assessee is that ld. CIT (E) has erred in cancelling the registration u/s 10(23C)(vi) of the Society from assessment year 2022-23 to 2026-27.

3. In ITA No. 1634/CHD/2025, assessee has taken following three grounds of appeal :

1. That the Ld.CIT (Exemptions) has erred in not granting registration u/s 12A(1)(ac)(if) as applied vide Form 10AB on 23.09.2025 vide order, dated 25.11.2025.

2. That the Ld. CIT (Exemptions) has erred in not granting the registration u/s 12A(1)(ac)(ii) relying upon the earlier year order of the society, dated 25.11.2025 where the registration already granted to the assessee u/s 10 (23C)(vi) had been cancelled.

3. That the appellant craves leave to add or amend the grounds of appeal before the appeal is finally heard or disposed off.

4. The impugned order passed in ITA 1634/CHD/2025 is very brief, which reads as under :

Sir/ Madam/ M/s,

This is to inform you that your application in Form No.(10AB) vide Acknowledgment No.-781099760230925 Dated 23/09/2025 has been

cancelled on 25/11/2025 by CIT EXEMPTIONS CHANDIGARH with following Remarks:

The application filed is being cancelled as non maintainable as the registration granted to the applicant vide Unique Registration No. AADTS6234PC20097 dated 24.09.2021 by CPC has been cancelled vide order DIN ITBA/EXM/F/EXM50/202 5-26/1082976188(1) dated 25.11.2025.

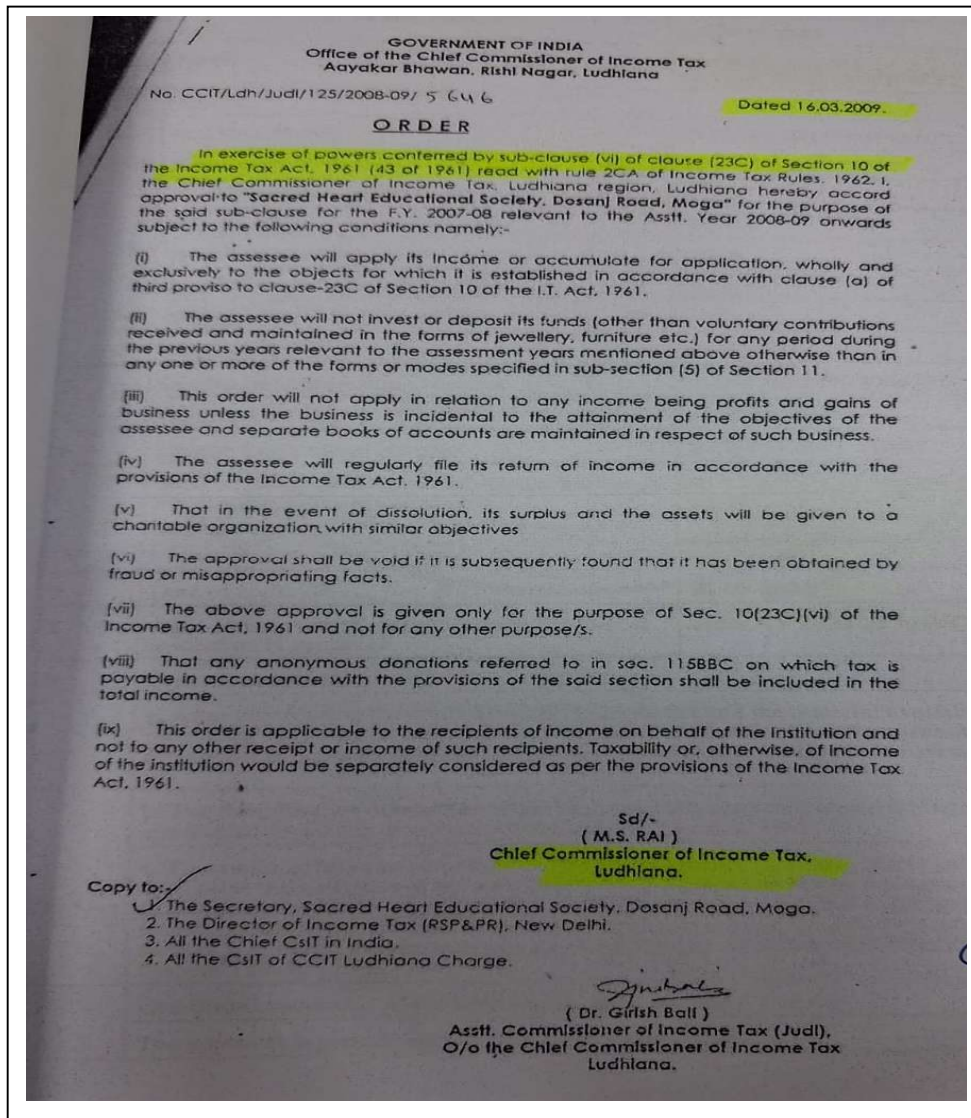
This is a system generated document and does not require any signature.

*JAISHREE SHARMA
CIT EXEMPTIONS CHANDIGARH*

4.1 Thus, the principal issue, whether assessee is entitled for registration u/s 10(23C)(vi)/12A as a Charitable Institution is involved and mainly discussed in the order impugned in ITA No. 1633/CHD/2025. Therefore, first we take this appeal.

5. The ld. counsel for the assessee, while impugning the order of ld. CIT (E) dated 25.11.2025 submitted that assessee Society came into existence on 31.12.1980. It was registered with Registrar of Firms and Societies, Punjab vide Registration No. 369 of 1980-81. Copy of this Registration Certificate has been placed on page No. 1 of the Paper Book. The Aims and Objects of the assessee alongwith Memorandum of Rules & Regulations are enclosed at page Nos. 2 to 20 of the Paper Book. A perusal of the

Aims & Objects of the Society contemplated under clause (3) of Memorandum of Association would reveal that assessee Society has referred roughly 11 objects, out of which the principal object is to work for the advancement of education and knowledge in all its forms. In order to fulfil the objectives, assessee society has established two schools, namely Sacred Heart School, Moga (Punjab) in 1980 and Sacred Heart International School, Marathandam, Kanya Kumari established in 2010. According to the ld. counsel for the assessee, there are roughly 8000 students in both the schools. The assessee has been affiliated with ICSE Board and education is imparted to the children under the above affiliation. Originally, assessee Society was registered u/s 10(23C)(vi) vide order dated 16.03.2009. The copy of the Registration Certificate is available on page No. 50 of the Paper Book-I. We deem it appropriate to take note of this certificate which exhibits conditions under which assessee has to work. Therefore, the order of granting registration is being reproduced here :



6. The Scheme of grant of registration to 'Charitable Institutions' has undergone a substantial change w.e.f. 01.04.2021 by way of Taxation & Other Law (Relaxation and Amendment of Certain Provisions) Act, 2020. The assessee has applied for grant of fresh registration u/s 10(23C)(vi) of the Act. Such registration has been granted to the assessee

and certificate is available on page Nos. 51 to 53. The conditions enumerated in this approval are reflected from clause (a) to (i) which is almost identical to the same conditions which we have taken note in the earlier paragraph while referring the registration granted in 2009.

6.1 The ld. CIT (E) was of the view that under the Risk Management System of the Department, case of the assessee has been flagged on account of receipt of huge cash of more than Rs.20 Crore. Therefore, a Show Cause Notice dated 20.06.2025 was issued to the assessee inviting its explanation to explain the source of cash deposits made alongwith name and PAN of donor, if any. The ld. CIT (E) mainly called for explanation of the assessee on four counts, namely;

- a) justification and source of cash deposits made alongwith name and PAN of donor, if any.
- b) Documentary evidences showing that the activities of the Trust/Institution continue to remain same and genuine which are aligned to its stated objects. She also called for bank statement of three years alongwith financial notes.

- c) In the last ground, which is residuary in nature, she given opportunity to the assessee to submit any clarification which it deemed necessary.

6.2 The copy of this Show Cause Notice is available on page 225 of the Paper Book. Thereafter, ld. CIT (E) has issues second notice dated 25.07.2025 whereby she has amplified the scope of enquiry. In this Show Cause Notice, ld. CIT (E) sought reply of the assessee on these aspects, namely;

- a) Assessee is required to submit details of transactions, if any carried out with a specified person u/s 13(3). The assessee was directed to submit relevant documents, if any, that such transaction has taken place.
- b) The assessee was directed to explain the transaction of making advance to J.J. Construction Co. amounting to Rs.7.77 Cr.
- c) The assessee was directed to explain as to why payment was made to Annai Resort & Spa Pvt. Ltd. with 'MakeMyTrip' and KTM Jewellery.
- d) The ld. CIT (E) directed the assessee to provide details of students and fee received in tabular form which has been formulated in the Show Cause Notice.

- e) Apart from the above four aspects, ld. CIT (E) also sought explanation of the assessee with regard to certain purchases made for the use of Society as well as certain payments made. These are under Item No. 4 and 5.

7. The ld. CIT (E) thereafter issued one more notice on 27.08.2025 and the copy of this notice is placed on page No. 317 to 327. Basically, this Show Cause Notice has been incorporated in the impugned order in same tabular form.

7.1 The ld. CIT (E) after making analysis of these reasons, cancelled the registration of the assessee Society u/s 10(23C)(vi) of the Income Tax Act.

8. The ld. counsel for the assessee took us through copies of all these Show Cause Notices alongwith replies given by the assessee. He placed on record complete details of fees received from the students in Paper Book No.3 which is running from page Nos. 494 to 987. He submitted that assessee Society has been imparting education in these two schools and acting within the parameters of its objectives. It has undergone scrutiny assessments in the past u/s 143(3) of the Income Tax Act. He made references to the assessment orders for assessment year 2010-11 to 2013-14

and 2016-17 which are being placed from page Nos. 21, 29, 48 and 49 of Paper Book-1. The ld. counsel for the assessee submitted that ld. CIT (E) failed to appreciate the model of the assessee for collecting fees. From 2006, assessee Society had stopped collecting fees directly, rather it has outsourced this job to the Bank and fees are being collected by the bank or through net banking. The fee slips were in triplicate. One copy is being retained by the student, second copy by the bank and third copy is being deposited in the school. The assessee Society has been maintaining its accounts wing-wise, namely, separate bank account for KG, Primary and for Senior Wing at both the schools, namely Moga as well as Kanyakumari. The school did not receive any cash, rather parents have deposited the fees in the bank which has been transmitted to the school. The fees can be collected through deposits, net banking, UPI, cheque etc.

8.1 The ld. counsel for the assessee drew our attention towards page 10 of the impugned order and submitted that ld. CIT (E) has given reference to the name of one Jayarin and alleged that two fee slips for the same period have been attributed to this student. According to the ld. CIT (E), it

is not a correct data. The ld. counsel for the assessee drew our attention towards page No. 495 of the Paper Book where bank statement is available. He, thereafter, drew our attention towards page No. 508 of the Paper Book where fee slips are available and submitted that there is no contradiction. Similarly, he drew our attention towards page No. 545 and thereafter page No. 549. On page No. 545, there is a reference to a slip 14198 x 2. Similarly, 14197 x 2. Copies of these slips are available on page No. 549. The ld. counsel for the assessee, while explaining page No.549 alongwith the bank statement submitted that there were two children, namely Haaron AJ and Haashan AJ. Both are sons of Abeal Raj T. First one was studying in Class VI-C and other one was in VIII-C. When their father went to deposit the fees for both the children which was in the same amount i.e. Rs.14197/-, then Bank, instead of making two entries in the statement, written 14197x2 whereas slips are separate, students are separate, their registration number is separate. The Admission Number of Haaron AJ is 161/2013 whereas Admission Number of Haashan AJ is 151/2010. Because one is of Class-VI, other one is Class-VIII, thus, according to the ld. counsel for the

assessee, there is no discrepancy in the Fee Slips as noticed by the ld. CIT (E) on page No. 10 of the impugned order.

8.2 The ld. counsel for the assessee has submitted that second objection raised by the ld. CIT (E) is advance payment of Rs.7.7 Cr to one, JJ Construction Co. With regard to this transaction, it was submitted by him that assessee Society had entered into an Agreement to purchase 4 acres of land at Keezhakottaiyoor village, District Chengalpattu, Chennai, Tamilnadu. One Joseph Maria Sebastrain Prop. of J.J. Construction Company had entered into an agreement for purchase of a land from a 'Paadri' of a Church, namely Mr. V. Ignatius, who was the actual owner of the land. The assessee had entered into an Agreement to purchase this land for establishing a new school at Chennai. It had made payment of Rs.8 Cr in advance as per the Agreement dated 01.09.2021. There were some disputes and assessee has to file a suit for permanent injunction in the competent Court of jurisdiction. He placed on record copy of the Interim Order granted by the Civil Court wherein parties were directed to maintain status-quo in OS No. 247 of 2025. The assessee, thereafter, filed number of interim applications and converted the Civil Suit into Suit for specific purpose

also. The assessee has filed a FIR at Police Station, Moga which is Zero FIR. Copy of this FIR No. 002 dated 16.01.2026 has also been placed on the record. The ld. counsel for the assessee has placed on record other details relating to the Civil Suit which were brought to the notice of ld. CIT (E) also, hence, it was contended that assessee had entered into a bonafide transaction for purchase of land so that new building can be established. But somehow, it went into litigation. The parties to the Agreement are not related to the Management of the Society. In other words, no one falls within the definition of 'specific person' contemplated in Section 13(3) of the Income Tax Act. The ld. CIT (E) has erred in drawing adverse inference simply for the reason that Agreement is non-registered agreement but a valid agreement can always be entered into without getting it registered under the Indian Registration Act.

8.3 The ld. CIT (E) thereafter made reference to various payments and drawn inference that these were not necessary for running the educational institution. He emphasized that any proceedings of this nature are not required to go into the details of day-today expenses. The primary role of the ld. CIT (E) was to find out whether any

specified violation has been committed by the assessee or not. All these aspects can be looked into during the assessment proceedings and assessee has undergone scrutiny assessment for 4-5 years. The AO has nowhere pointed out any such circumstance. The ld. CIT (E) has just drawn inference without getting them cross-verified. It is very difficult for an adjudicating authority to decide the nature of expenses without realizing commercial exigency of the Institution. Thus, on the basis of details narrated by the ld. CIT (E) in the impugned order regarding different expenses incurred by the Society, registration cannot be cancelled. For buttressing his contention, he relied upon a large number of judgements, which are placed on the record. The Index of the Paper Book reads as under :

SL.	PARTICULAR
1.	Copy of judgment of Hon'ble Chandigarh Bench, Chandigarh Bench in the case of Narinder Kumar Vs. The Income Tax officer dated 20.02.2025 having ITA No. 812/CHD/2024.
2.	Copy of judgment of Hon'ble Chandigarh Bench, Chandigarh Bench in the case of Shri Jagdev Singh in ITA No.87/Chandi/2020 order dated 03.04.2025
3.	Copy of judgment of Hon'ble Chandigarh Bench, Chandigarh Bench in the case of Smt Jyoti Bhalla vs ITO in ITA No. 714/CHD/2022 order dated 16.05.2024
4.	Copy of judgment of Hon'ble Delhi High Court in the case of CIT(E) vs Hamdard Laboratories (India) 480 ITR 498 (Del HC)
5.	Copy of judgment of Hon'ble Pune Bench, Pune in the case of Shri Mukund Bhavan Trust vs CIT(E) 174 <u>Taxmann.com</u> 275 (Pune Trib) 29.04.2025
6.	Copy of judgment of Hon'ble Punjab & Haryana High Court in the case of CIT vs Leader Valves Ltd 295 ITR 273 (P a H-HC)
7.	Copy of judgment of Hon'ble Punjab & Haryana High Court in the case of CIT vs Parkash Industries Ltd 324 ITR 391 (P a H-HC)

8.	Copy of judgment of Hon'ble Punjab & Haryana High Court in the case of CIT vs Haryana Industrial Development Corporation Ltd. 326 ITR 640 (PaH HC)
9.	Copy of judgment of Hon'ble Delhi High Court in the case of DIT(E) vs Moti Bagh Mutual Aid Education 298 ITR 190 (Del HC)
10.	Copy of judgment of Hon'ble Ranchi Bench, Ranchi in the case of Institute of Science a Management vs CIT Central Patna (ITAT Ranchi) ITA No. 13/Ranchi/2011
11.	Copy of judgment of Hon'ble Punjab & Haryana High Court in the case of M/s Apeejay Educational Society vs CIT Jalandhar in ITA No. 228/Asr/2013 order dated 08.05.2014 (ITAT Amritsar) further confirmed by PaH HC in 59 taxmann.com 102.
12.	Copy of judgement of Hon'ble Apex Court in the case of CIT, Patiala vs Yadvindra Public School Association SLP C No. 34221/2025 order dated 24.11.2025 181 taxmann.com 285 (SC)
13	Copy of judgement of Hon'ble Delhi High Court in the case of CIT, Exemption vs IILM Foundation 174 Txman.com 605 (Del HC)

9. The ld. CIT DR, on the other hand relied upon the order of the ld. CIT (E) and pointed out that ld. CIT (E) has made reference to specific violations regarding collection of fees, advance made to J.J. Construction Company. It is to be appreciated that assessee did not get the Agreement registered and failed to safeguard the interests of the Society. He emphasized that it is to be appreciated that in a casual approach, huge amounts of the Society were being siphoned. Hence, it falls within the ambit of 'specified violation' as contemplated in 15th Proviso to Section 10(23C)(vi) of the Act.

9.1 Similarly, he made reference to details of expenses considered by the ld. CIT (E) and referred it in tabular form in the order. According to the ld. CIT DR, there was no

necessity to incur such expenses for running the educational institution. Therefore, ld. CIT (E) has rightly cancelled the registration.

10. We have duly considered the rival contentions and gone through the record carefully. The 15th Proviso to Section 10(23C) authorize the Pr. Commissioner or Commissioner for calling upon such document and information from the fund, Institution or Trust or any University or other educational institution, as he thinks necessary, in order to satisfy himself about the occurrence of any specified violation provided in Explanation. 2, then registration/approval granted u/s 10(23C) can be cancelled. Therefore, it is incumbent upon us to take note of this proviso as well as Explanation-II appended to this proviso which defines 'specified violations' on whose occurrence, registration can be cancelled. This proviso alongwith Explanation-II read as under :

[Provided also that where the fund or institution referred to in sub-clause (iv) or trust or institution referred to in sub-clause (v) or any university or other educational institution referred to in sub-clause (vi) or any hospital or other medical institution referred to in sub-clause (via) is approved or provisionally approved under the said clause and subsequently—

(a) the Principal Commissioner or Commissioner has noticed occurrence of one or more specified violations during any previous year; or

(b) the Principal Commissioner or Commissioner has received a reference from the Assessing Officer under the second proviso to sub-section (3) of section 143 for any previous year; or

(c) such case has been selected in accordance with the risk management strategy, formulated by the Board from time to time, for any previous year,

the Principal Commissioner or Commissioner shall—

(i) call for such documents or information from the fund or institution or trust or any university or other educational institution or any hospital or other medical institution, or make such inquiry as he thinks necessary in order to satisfy himself about the occurrence of any specified violation;

(ii) pass an order in writing cancelling the approval of such fund or institution or trust or any university or other educational institution or any hospital or other medical institution, on or before the specified date, after affording a reasonable opportunity of being heard, for such previous year and all subsequent previous years, if he is satisfied that one or more specified violation has taken place;

(iii) pass an order in writing refusing to cancel the approval of such fund or institution or trust or any university or other educational institution or any hospital or other medical institution, on or before the specified date, if he is not satisfied about the occurrence of one or more specified violations;

(iv) forward a copy of the order under clause (ii) or clause (iii), as the case may be, to the Assessing Officer and such fund or institution or trust or any university or other educational institution or any hospital or other medical institution.

Explanation 1.—*For the purposes of this proviso, "specified date" shall mean the day on which the period of six months, calculated from the end of the quarter in which the first notice is issued by the Principal Commissioner or Commissioner, on or after the 1st day of April, 2022, calling for any document or information, or for making any inquiry, under clause (i) expires.*

Explanation 2.—*For the purposes of this proviso, the following shall mean "specified violation",—*

(a) where any income of the fund or institution or trust or any university or other educational institution or any hospital or other

medical institution has been applied other than for the objects for which it is established; or

(b)the fund or institution or trust or any university or other educational institution or any hospital or other medical institution has income from profits and gains of business, which is not incidental to the attainment of its objectives or separate books of account are not maintained by it in respect of the business which is incidental to the attainment of its objectives; or

(c)any activity of the fund or institution or trust or any university or other educational institution or any hospital or other medical institution—

(A)is not genuine; or

(B)is not being carried out in accordance with all or any of the conditions subject to which it was notified or approved; or

(d)the fund or institution or trust or any university or other educational institution or any hospital or other medical institution has not complied with the requirement of any other law for the time being in force, and the order, direction or decree, by whatever name called, holding that such non-compliance has occurred, has either not been disputed or has attained finality.

(e)the application referred to in the first proviso of this clause is not complete or it contains false or incorrect information.

10.1 A bare perusal of Explanation-2 appended with 15th proviso to Section 10(23C)(vi) would indicate that this Explanation provides the definition of expression 'specified violations'. Sub-clause (a) contemplates that where any income of the fund or Institution or Trust or any University or other educational institution or any hospital has been applied other than for the objects of the Society for which it has been established, then that step would be considered

as a 'specified violation' and registration u/s 10(23C)(vi) could be cancelled.

10.2 Clause (b) to this Explanation further contemplates that if assessee Society has been doing business apart from running a charitable institution, then separate books of account are to be maintained. The profits earned by such educational institution, trust or university ought to be incidental in nature but if earned in an organized business manner, separately than running any institution for educational purposes, then separate books are required to be maintained and if assessee failed to maintain this, it would be a 'specified violation' for cancellation of registration.

10.3 Clause (c) of the Explanation further provides that activities of such institution should be genuine. They should be carried out in accordance with objectives of the trust/society/university etc. In other words, if activities are not being carried out in accordance with the Memorandum of Association, then registration could be cancelled.

10.4 Sub-clause (d) further contemplates that if any other law is being infringed by the institution, society, trust, university, hospital, then registration could be cancelled. In other words, the assessee trust ought to have adhere the allied laws while fulfilling its objectives and there should not be any breach of any other law.

10.5 Under clause (e), it has been provided that such registration would have not been obtained by withholding the information or submitting false information. If some incorrect information is being presented before the competent authority, then later on, registration could be cancelled.

11. In the light of above, let us examine the reasons assigned by the ld. CIT(E) for cancelling the registration of the assessment trust. A perusal of three Show Cause Notices would indicate that enquiry was started by the ld. CIT(E) on the ground that Department's Risk Management System flagged huge cash transactions in the accounts of the assessee. In this regard, assessee has explained its position, however, ld. CIT(E) has discussed this aspect on

page 10 as well as 15 of the impugned order. A perusal of the order would reveal that ld. CIT(E) has made reference to fees deposited qua a student Jayarin against Admission No. 212/16. There are six instances referred by the ld. CIT(E). She has made reference to Sr.No. 178, 2632, 6280, 7121 and 8210 against whom fee receipts are shown. This observation of the ld. CIT(E) is factually incorrect. As far as Sr.No. 8210 is concerned, it pertains to a student namely Hamiksha Mittal against Admission No. 3422021 dated 26.10.2021. Similarly, fee receipts mentioned on 25.03.2022 are concerned, the details of these receipts are being produced before us from page No. 984 to 985. There are instances exhibiting the receipt of fees on 25.03.2022. The first receipt is in the name of Gurkiran Kaur and Sr.No. is 4612014. There is no receipt against Sr. No. 8210 in the name of Jayarin JS. The ld. CIT(E), thereafter, made reference qua multiple entries against single number.

11.1 We have taken note of the submissions of the ld. counsel for the assessee as to how this discrepancy has occurred. For example, Haaron AJ and Haashan are the two

wards of Shri Abeal Raj T. against Admission No. 161/13 and 151/10. Their fee was deposited by their father on a single day. There were two fee slips issued by the bank for a sum of Rs.14197/- but in the bank data, they have recognized it as 14197 x 2. This is for the convenience of the bank for recording the entries. Otherwise, fees of two students was taken by the bank on a single occasion. It is akin to different land acquisition matters being clubbed by the District Judge for facility of their disposal, wherein lands of various owners are being acquired by a single notification. The ld. CIT(E) could have not drawn any adverse inference for such type of minor discrepancy. Thus, as far as the huge cash deposited by the assessee is concerned, that has been meticulously explained with the help of complete fee data and how fee has been collected from 8000 students in different branches of the bank. The collection of the fees is more than Rs.20 crore and ld. CIT(E) has unnecessarily drawn adverse inference by referring one or two small discrepancies. ld. CIT(E) thereafter shown apprehension at the end of the bank that how they can give a certificate that bank has not taken any cash from the

assessee for deposit after such a long time. It is pertinent to note that bank has given the certificate on the basis of record maintained by it. It cannot be brushed aside by simply expressing some suspicion over it. Either ld. CIT(E) could call for that record and verify and then record a finding about the factual inaccuracy in those certificates but simply they cannot be rejected in the manner done in the impugned order.

12. The next reason assigned by the ld. CIT(E) is that assessee society has made payments of lease rent to Smt. Vijaya Jebakumar. However, in the balance sheet, society has shown building as the fixed asset. On a careful examination of the finding of ld. CIT(E), we are of the view that ld. CIT(E) has failed to appreciate the controversy. The land was owned by Smt. Vijaya Jebakumar. This was given on lease to the society with a permission to raise building. The society has constructed the building which belongs to the society but her concern was if building is being demolished or something unnatural happened, then quality of her land should not be disturbed or destroyed. It is pertinent to note that whole of the Cannught Place in Delhi

is on leasehold properties. Showroom owners are not enjoying free hold rights of the land beneath the showroom. Similarly, many houses in the Chandigarh are not free hold. House owners are having leasehold rights from U.T. Administration. This aspect has not been appreciated by the ld. CIT(E). An institution can enter into agreement for availing a long-time lease of the land on which building can be constructed for a specific period. For argument sake, it can be 20 years, 30 years but, it cannot be said that since building is being shown as an asset in the books of the assessee, therefore, it is doubtful whether land under beneath belongs to somebody else which has been given on lease to the assessee society. This aspect must have been examined by the AO in scrutiny assessment and every year, lease money has been allowed to the assessee society. Therefore, we are of the view that ld. CIT(E) has unnecessarily drawn adverse inference on this count.

13. It is also observed that Section 13(3) of the Act contemplates that if some undue benefit is being given to any person mentioned in this Section, only for the reason

that he is related to the Management, then such payments would not be allowed as a deduction to the assessee. In other words, for example, assessee society availed service from 'specified person' contemplated in Section 13(3) for a sum of Rs.100/- but similar services can be availed from the open market at Rs.80/-, then this difference of Rs.20/- will not be allowed as a deduction to the assessee. It could be examined only in the assessment proceedings. The ld. CIT(E) has nowhere examined whether the land taken on lease could fetch the huge rental as paid by the assessee society in the open market. No such enquiry has been made. Without any enquiry of this nature, no doubt can be expressed on the action of the assessee.

13.1 The ld. CIT(E) has issued third Show Cause Notice wherein she has highlighted certain expenses, namely, Rs.50,000/- paid to Annai Resorts & Spa Pvt. Ltd., Rs.40,000/- incurred on MakeMyTrip and then certain payments to KTM Jewellery, Honey Hives Club House & Hotels. There are roughly 11 expenses referred by the ld. CIT(E). Assessee has explained each and every expenditure

as to why it was incurred. For example, with regard to the expenses of Rs.50,000/-, it was submitted that Auditors have visited the school of the assessee in Markhandan. Their arrangement of stay was at Kanyakumari which is roughly 50 kms. away from the school. On their arrangements, assessee has spent the money. This is an expenditure which is necessary one in ordinary course of running the educational institution. Similarly, all the expenses incurred by the assessee were amounts for running the institution. They do not fall anywhere in a 'specified violation'. Their status could be examined by the AO while scrutinizing the return of the assessee. To our mind, ld. CIT(E) has made reference to irrelevant details which cannot be under the scope of investigation for cancellation of the registration. She has just expressed her doubts about the issue whether these expenses were incurred wholly and exclusively for the objectives of the society but, she cannot sit in the chair of the Management who has to run the Institution and decide which expenditure is necessary for the society. For example, staff

welfare. How can the ld. CIT(E) say it is not necessary for the society.

13.2 Similarly, ld. counsel for the assessee has shown us photographs exhibiting some sheds were erected for protecting the students and staff from sun and rain at the entrance of the school. For that, assessee has made payment to R.S. Tensile Pvt. Ltd. The concern of the ld. CIT(E) was that these goods have been transported from Bombay to the assessee society but why payment was made to this concern at Delhi. It is pertinent to note that this concern has arranged the goods for assessee society. It might be having an expertise and instead of delivering the goods to its premises in Delhi, straight away transferred it to school premises. In the case of CIT Vs Dalmia Cement (254 ITR 377) Hon'ble Delhi High Court has propounded the approach required to be adopted by the revenue official while appreciating the business expenditure of an assessee, which is wholly and exclusively incurred for the business. We deem it appropriate to take note of the following observation :

“For the allowance under section 37(1), the following conditions are to be satisfied, i.e. (a) there must be expenditure, (b) such expenditure must not be of the nature described in sections 30 to 36, (c) the expenditure must not be in the nature of capital expenditure or personal expenses of the assessee, (d) the expenditure must have been laid out or expended wholly and exclusively for the business or profession. The word "wholly" refers to the quantum of expenditure, while the word "exclusively" refers to the motive, objective and purpose of the expenditure. An expenditure to which one can not apply an empirical or subjective standard is to be judged from the point of view of a businessman and it is relevant to consider how the businessman himself treats a particular item of expenditure. The term "commercial expediency" is not a term of art. It means everything that serves to promote commerce and includes every means suitable to that end. In applying the test of cml expediency, for determining whether the expenditure was wholly and exclusively laid out for the purpose of the business the reasonableness of the expenditure has to be judged from the point of view of the businessman and not the revenue (see CIT v. Walchand and Co. (P.) Ltd. [1967] 65 ITR 381 (S.C.) K.Wollen Manufacturers v. CIT [1969] 72 ITR 612 (SC); Aluminium Corp. of India Ltd. v. CIT [1972] 86 ITR 11 (SC) and CIT v. Panipat Woollen & General Mills Co. Ltd. [1976] 103 ITR 66 (SC)). But it must not suffer from the vice of collusiveness or colourable devices.

13.3 Ld. CIT (E) did not adopt the above approach while appreciating the small-small expenditures of the assessee Society. There is nothing unusual in it. Therefore, these reasons are not worthy of credence for cancelling the registration.

13.4 The last reason assigned by the ld. CIT(E) is with regard to the payment of Rs.8 Cr to J.J. Construction Co. It is pertinent to note that assessee has duly entered into an agreement for purchase of 4 acres of land. The ld. CIT(E) has observed that description of land mentioned in the Agreement to Sell is not similar to the one available in the

status-quo order. When it was confronted to the assessee, it was pointed out that though in the Agreement, complete land was agreed to be sold to the assessee, however on an enquiry, it came to notice that exact land is 2.5 acres instead of 4 acres exhibited in the Agreement. There is a dispute of this remaining land as to whether it belongs to forest area or not. The Court only directed the parties to maintain status-quo qua 2.5 acres. Otherwise, there is no discrepancy in the taking details of the land in the Civil Suit vis-à-vis Agreement. The major concern of the Id. CIT(E) is that assessee did not get the Agreement registered but that would not have any effect on the validity of a contract. This aspect has been examined by a Division Bench of Hon'ble Punjab & Haryana High Court in the case of Ram Kishan Vs Bijender Mann alias Vijender Mann (2013) PLR 1 page 195. The finding of the Hon'ble Court with regard to unregistered agreement is worthy to note, which reads as under :

"7. A contract/agreement that satisfies the ingredients of Section 53A of 1882 Act was not compulsory registrable whether under the Transfer of Property Act or the Indian Registration Act, 1908.

8. The Registration and Other Related laws (Amendment) Act, 2001(hereinafter referred to as the 'Amendment Act of 2001') has,

however, brought about a paradigm shift in rights flowing from agreements executed under Section 53-A of the Transfer of Property Act. Section 17(1A) of the Indian Registration Act introduced by the Amendment Act of 2001, provides that contracts to transfer for consideration any immovable property for the purpose of Section 53A of the Transfer of Property Act, 1882, shall be registered if they have been executed on or after the commencement of the Registration and Other Related Law (Amendment) Act, 2001. Section 17(1A) further provides that, in case, such a document is not registered, it shall have no effect, for the purpose of Section 53A. A combined reading of Sections 53A and 17(1A), reveals that a contract that evidences part performance, as envisaged by Section 53A of the Transfer of Property Act shall, after enactment of Section 17(1A), be compulsorily registrable and if not so registered, shall have no effect for the purpose of Section 53A of the 1882 Act. Section 17(1A) reads as follows:-

"Section 17(1A) of Indian Registration Act, 1908 The documents containing contracts to transfer for consideration, any immovable property for the purpose of Section 53A of the Transfer of Property Act, 1882 (4 of 1882) shall be registered if they have been executed on or after the commencement of the Registration and Other Related Law (Amendment) Act, 2001 and if such documents are not registered on or after such commencement, then, they shall have no effect for the purposes of the said Section 53A.

9. Section 17(1A) of the 1908 Act declares in no uncertain terms if a contract executed in part performance of an agreement is unregistered, it shall have no effect for the purpose of Section 53A of the 1882 Act. Section 17(1A) does not refer to much less prohibit the filing of a suit for specific performance or leading of such a contract into evidence.

10. The Amendment Act also introduced a proviso to Section 49 of the Indian Registration Act, to clarify the effect of non-registration of a contract executed in terms of Section 53-A of the Transfer of Property Act. Section 49 of the Registration Act 1908, reads as follows:-

"49. Effect of non-registration of documents required to be registered.-- No document required by Section 17 or by any provision of the Transfer of Property Act, 1882 to be registered shall-

(a) affect any immovable property comprised therein, or

(b) confer any power to adopt, or

(c) be received as evidence of any transaction affecting such property or conferring such power; unless it has been registered:

Provided that an unregistered document affecting immovable property and required by this Act or the Transfer of Property Act, 1882, to be registered may be received as evidence of a contract in a suit for specific performance under Chapter II of the Specific Relief Act, 1877, or as evidence of part performance of a contract for the purposes of Section 53A of the Transfer of Property or as evidence of any collateral transaction not required to be effected by registered instrument."

11. A conjoint appraisal of Sections 53A of the Transfer of Property Act, 1882, Sections 17(1A) and 49 of the Indian Registration Act, 1908, particularly the proviso to Section 49 of the Indian Registration Act, in our considered opinion, leaves no ambiguity that, though, a contract accompanied by delivery of possession or executed in favour of a person in possession, is compulsorily registrable under Section 17(1A) of the Registration Act, 1908, but the failure to register such a contract would only deprive the person in possession of any benefit conferred by Section 53A of the 1882 Act. The proviso to Section 49 of the Indian Registration Act clearly postulates that non-registration of such a contract would not prohibit the filing of a suit for specific performance based upon such an agreement or the leading of such an unregistered agreement into evidence.

12. A suit for specific performance based upon an unregistered agreement to sell accompanied by delivery of possession or executed in favour of a person who is already in possession, cannot, therefore, be said to be barred by Section 17 (1A) of the Registration Act, 1908.

13. Section 17(1A) merely declares that such an unregistered contract shall not be pressed into service for the purpose of Section 53(A) of the Transfer of Property Act, 1882. Section 17 (1A) of the Registration Act, 1908, does not, whether in specific terms or by necessary intent, prohibit the filing of a suit for specific performance based upon an unregistered agreement to sell, that records delivery of possession or is executed in favour of a person to whom possession is delivered and the proviso to Section 49 of the Indian Registration Act, 1908 put paid to any argument to the contrary.

14. We, therefore, hold that:

(a) a suit for specific performance, based upon an unregistered contract/agreement to sell that contains a clause recording part performance of the contract by delivery of possession or has been

executed with a person, who is already in possession shall not be dismissed for want of registration of the contract/agreement;

(b) the proviso to Section 49 of the Registration Act, legitimises such a contract to the extent that, even though unregistered, it can form the basis of a suit for specific performance and be led into evidence as proof of the agreement or part performance of a contract."

13.5 Thus, an unregistered agreement does not have any adverse bearing on the rights of the parties. It is a valid contract which can be enforced by way of a suit for specific performance. The assessee has already filed an application to amend the nature of its suit from 'permanent injunction' to 'specific performance' also. It is also pertinent to note that after 2018, an amendment has been made in Specific Relief Act whereby an assessee could claim the refund of the earnest money, if any paid. It is also pertinent to note that in a land deal, there can be a litigation at any time but it cannot be alleged that assessee has knowingly siphoned off its money. None of the parties to the Agreement is associated with the Management. In other words, there is no 'specified person' contemplated in Section 13(3) of the Income Tax Act.

13.6 The Id. CIT(E) has also discussed with regard to payments made to Arjun Vehicle Pollution Testing Centre.

According to the assessee, it has made payments for various activities, namely, installation of camera in taxies etc. for its school itself. The complete detail was given by the society, however, ld. CIT(E) has made reference to small discrepancies for doubting the nature of expenses. We are of the view that ld. CIT(E) did not examine this aspect in right perspective, particularly considering the volume of students and the volume of turnover exceeding more than Rs.20 crores in a year. This payment is only Rs.6.29 lacs which was incurred by the society in day-today ordinary course of its running the institution. There might be minor variation in the bills, but that was not of this nature which can goad the taxing authority to harbour the belief that society was not being run in accordance with its objectives. ld. CIT(E) has not pointed out a single circumstance whereby expenses were not incurred for the running of educational institution. Therefore, we are of the view that impugned orders are not sustainable in the eyes of law. Accordingly, we set aside the order of ld. CIT(E) cancelling the registration u/s 10(23C) and restore the registration to its original form.

14. Appeal of the assessee in ITA No.1633/CHD/2025 is allowed.

15. As far as second appeal is concerned, it is dependent upon the outcome of this appeal. We set aside the impugned order and relegate the issue to the file of Id. CIT(E) for fresh adjudication on the strength of our finding recorded in ITA 1633/CHD/2025. Accordingly, appeal in ITA 1634/CHD/2025 is allowed for statistical purposes.

16. In the result, appeal of the assessee in ITA 1633/CHD/2025 is allowed and in ITA 1634/CHD/2025 is allowed for statistical purposes.

Order pronounced on 17.02.2026.

Sd/-

Sd/-

(MANOJ KUMAR AGGARWAL)
ACCOUNTANT MEMBER

(RAJPAL YADAV)
VICE PRESIDENT

“Poonam”

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

1. अपीलार्थी/ The Appellant
2. प्रत्यर्थी/ The Respondent
3. आयकर आयुक्त/ CIT
4. विभागीय प्रतिनिधि, आयकर अपीलीय आधिकरण, चण्डीगढ़/ DR, ITAT, CHANDIGARH
5. गार्डफाईल/ Guard File

सहायक पंजीकार/ Assistant Registrar