

IN THE INCOME TAX APPELLATE TRIBUNAL
"A" BENCH, MUMBAI
BEFORE SHRI NARENDER KUMAR CHOUDHRY, JUDICIAL MEMBER
AND
SHRI JAGADISH, ACCOUNTANT MEMBER

ITA No. 5406/Mum/2025
Assessment Year: 2015-16

Laxminarayan Mandir Trust Laxminarayan Krupa, Babubhai Vashi Road, Vile Parle West, Mumbai-400056 PAN: AAATL2061J	Vs.	Assistant Commissioner of Income Tax Exemption Circle 1 6 th Floor, MTNL Telephone Exchange BLDG, Cumballa Hill, Peddar Road, Mumbai-400026
(Appellant)		(Respondent)

Assessee by	Shri B.N. Rao
Department by	Shri Surendra Mohan, SR. DR

Date of Hearing	18.02.2026
Date of Pronouncement	20.02.2026

ORDER

Per: SHRI JAGADISH, A.M.:

1. This appeal by the assessee is directed against the order dated 03.07.2025 passed by the learned Commissioner of Income Tax (Appeals), NFAC, for the assessment year 2015-16 arising out of the assessment framed under Section 143(3) of the Income-tax Act, 1961.
2. The assessee has raised grounds challenging the action of the learned CIT(A) in sustaining the addition of ₹3,25,00,000 treated as

sale proceeds and the addition of ₹2,53,60,399 on account of notional interest, inter alia contending that the learned CIT(A) failed to follow the binding decision of the Tribunal in assessee's own case for earlier years.

3. The brief facts are that the assessee is a religious and charitable trust registered under Section 12A. It filed its return declaring deficit of ₹43,584. The Assessing Officer completed the assessment determining total income at ₹5,84,63,050 mainly by (i) treating ₹3,25,00,000 received from intending purchasers as taxable receipts and (ii) bringing to tax notional interest of ₹2,53,60,399 on advances given by the trust. The learned CIT(A) upheld both the additions.
4. Before us, the learned Authorised Representative submitted that both the issues are squarely covered in favour of the assessee by the order of the coordinate bench in assessee's own case for assessment year 2013-14 in ITA No. 3235/Mum/2022 and connected matters. It was submitted that the facts remain identical and therefore the learned CIT(A) was not justified in taking a contrary view. The learned Departmental Representative relied on the orders of the lower authorities.
5. We have carefully considered the rival submissions and perused the material on record. The first dispute relates to the addition of ₹3,25,00,000. The undisputed factual position emerging from the record is that the assessee trust had undertaken redevelopment of its property through Trinity Infratech Pvt. Ltd., under which it became entitled to certain flats. The trust proposed to sell some of these flats; however, such sale required prior approval of the Charity Commissioner under Section 36 of the Maharashtra Public Trusts Act. The approval was ultimately granted only on 31.03.2021 after a detailed statutory process.

6. It is also not in dispute that in assessee's own case for assessment year 2013-14, the coordinate bench, after examining the same redevelopment arrangement and the requirement of statutory approval, held that the amounts received prior to approval could not be treated as taxable sale proceeds and were only advances. The learned CIT(A), though noticing the Tribunal's decision, proceeded to sustain the addition on the reasoning that the amount pertains to the present assessment year. In our considered view, this approach is not sustainable. Once the Tribunal has, on identical facts and in the same project, held that in the absence of approval of the Charity Commissioner the transaction of sale does not fructify and the receipts partake the character of advances, judicial discipline requires the first appellate authority to follow the same unless the facts are shown to be materially different. No such distinguishing feature has been brought on record before us. Further, when the transfer itself could not legally take place during the year, no real income can be said to have accrued to the assessee and the amount received is in the nature of advance. Respectfully following the decision of the coordinate bench in assessee's own case for assessment year 2013-14, we direct the Assessing Officer to delete the addition of ₹3,25,00,000.
7. The second issue relates to the addition of ₹2,53,60,399 on account of notional interest. The Assessing Officer computed interest at 12% on advances given by the trust on the premise that the assessee ought to have charged interest. The learned CIT(A), while discussing the issue, has himself reproduced the finding of the Tribunal in earlier years that Section 13 does not empower the Revenue to compute notional interest where no such interest has accrued or been received, and that only real income can be brought to tax. However, the learned

CIT(A) nevertheless sustained the addition observing that the issue is kept alive.

8. In our view, the reasoning of the learned CIT(A) is internally inconsistent and legally untenable. It is an admitted position that the assessee did not charge or receive any interest and no such income was recorded in the books. The coordinate bench in assessee's own case for earlier years has already held that in such circumstances the Assessing Officer has no authority to tax hypothetical interest and that even where Section 13 is invoked, the consequence is denial of exemption under Section 11 and not computation of notional income. In the absence of any change in facts or law, we see no justification to take a different view. Respectfully following the binding precedent in assessee's own case, the addition of ₹2,53,60,399 is directed to be deleted.
9. The remaining grounds are either not pressed or consequential and therefore require no separate adjudication.
10. In the result, the appeal of the assessee is allowed.

Order pronounced in the open court on 20/02/2026

Sd/-

(NARENDER KUMAR CHOUDHRY)
Judicial Member

Sd/-

(JAGADISH)
Accountant Member

Mumbai, Dated: 20/02/2026
Ashwani Rao
Sr. Private Secretary

Copy of the order forwarded to:

1. Appellant
2. Respondent
3. The CIT
4. The CIT (Appeals)
5. The DR, I.T.A.T.

By order

(Assistant Registrar)
ITAT, Mumbai