

**IN THE INCOME TAX APPELLATE TRIBUNAL
'A' BENCH: BANGALORE**

**BEFORE SHRI PRASHANT MAHARISHI, VICE – PRESIDENT
AND
SHRI KESHAV DUBEY, JUDICIAL MEMBER**

ITA Nos. 3099-3101/Bang/2025
Assessment Years: 2015-16, 2016-17 & 2017-18

M/s. Deshpande Educational Trust, DCSE Building, BVB CET Campus, Vidyanagar, Hubli, Karnataka – 580 031. PAN: AABTD4450G	Vs.	The DCIT (Exemptions), Circle – 1, Mangalore.
APPELLANT		RESPONDENT

Assessee by	:	Shri L. Bharath, CA
Revenue by	:	Shri Balusamy N – JCIT

Date of Hearing	:	16-03-2026
Date of Pronouncement	:	15-04-2026

ORDER

PER PRASHANT MAHARISHI, VICE – PRESIDENT

1. These are three appeals of the appellant involving similar issue, arguments advanced are also same, so disposed of by this common order.
2. Taking first appeal for AY 2015-16 , ITA No. 3099/Bang/2025 is filed by M/s. Deshpande Educational Trust (the Assessee/Appellant) for Assessment Year 2015-16 against the Appellate Order passed by the National Faceless Appeal Centre, Delhi (the Ld. CIT(A)) dated 15.10.2025 wherein the Appeal filed by the Assessee against the Assessment Order passed on 29.03.2022 u/s. 147 r.w.s. 144B of the Income Tax Act, 1961 (the Act) dated 29.03.2022, was dismissed.
3. The Assessee is in appeal before us raising following grounds of appeal: -

- i. *On the facts and in the circumstances of the case, the orders passed by the Learned Assessing Officer (LAO) and the Honourable Commissioner of income-tax (Appeals) ('Hon'ble CIT(A)') are bad in law to the extent they are prejudicial to the Appellant since the same were undertaken without appreciating the Appellant's submissions.*
- ii. *The Hon'ble CIT(A) erred in upholding the disallowances made by the LAO without considering that the same is not in accordance with the provisions of the Act to the extent they are prejudicial to the Appellant since the order is against the provisions of the Income tax Act, 1961 ('the Act') and the judicial precedence on the subject*
 - a. *The LAO erred in law and fact by concluding that the activities carried on by the Appellant do not constitute 'education' and therefore is not a 'Charitable activity' under section 2(15) of the Act; the Hon'ble CIT(A) erred in sustaining the same.*
 - b. *The LAO has erred in holding that the Appellant has not undertaken any activity in the area of formal education; the Hon'ble CIT(A) erred in sustaining the same.*
 - c. *The LAO has erred in holding without any basis that the programmes conducted by the Appellant is run by private persons for profit; the Hon'ble CIT(A) erred in sustaining the same.*
 - d. *The LAO has erred in holding that the Appellant has not undertaken any activity in the area of education without considering that the Appellant-Trust's objectives which consistently emphasise this aspect and the Appellant-Trust's activities have been fully aligned to these objects; the Hon'ble CIT(A) erred in sustaining the LAO's action without considering these aspects.*
 - e. *Without prejudice to the preceding grounds, the LAO erred in law and fact by concluding that the activities carried on by the Appellant do not constitute 'relief for the poor' under section 2(15) of the Act, the Hon'ble CIT(A) erred in sustaining the same.*

- iv. *Without prejudice to the above, the LAO has erred in holding that the objective of the activities of the Appellant are of advancement of general public utility as provided u/s 2(15) of the Act, the Hon'ble CIT(A) erred in sustaining the same.*
- v. *The LAG has erred in holding that the activities of the Appellant constitute trade, commerce or business and that it is engaged in commercial activities, the Hon'ble CIT(A) erred in sustaining the same.*
- vi. *The LAO has erred in holding that the activities of the Appellant are undertaken with a profit motive without considering that for the impugned year, the Appellant has a deficit in its Income & Expenditure account the Hon'ble CIT(A) erred in sustaining the same.*
- vii. *The LAO has erred in denying the claim of exemption under section 11 of the Act amounting to Rs. 1,50,60,860/-, the Hon'ble CIT(A) erred in sustaining the same.*
- viii. *The LAO has erred in inferring that payment of service tax shows that the Appellant was running commercial activities, the Hon'ble CIT(A) erred in sustaining the same.*
- ix. *The LAO has erred in concluding without any basis that the Appellant provides coaching by charging hefty fees from the participants, without providing any rationale for such conclusion; the Hon'ble CIT(A) erred in sustaining the same.*
- x. *The LAO has erred in holding that the activities of the Appellant are undertaken with a profit motive without considering that if not for the voluntary contributions, the Appellant would not have been able to even act on its objectives for the impugned year, let alone being run 'by private persons for profit, the Hon'ble CIT(A) erred in sustaining the same.*
- xi. *Without prejudice to the above, the LAO erred in considering the voluntary contribution of Rs. 37,08,000/- as fee received from courses and*

consequently adding the same as income, the Hon'ble CIT(A) erred in sustaining the same.

- xii. The LAO erred in computing interest under section 234B and 234D of the Act; the Hon'ble CIT(A) erred in not deleting the same.*

ADITIONAL GROUNDS OF APPEAL PLEADED FOR THE FIRST TIME BEFORE THIS TRIBUNAL

- i. The order of the LAO is bad in law in that the same is contrary to the provisions of sections 147 to 151 of the Act.*
- ii. The order of the LAO is bad in law since the same is based on proceedings under sections 147 and 148 which lacked jurisdiction under the said provision.*
- iii. The order of the LAO is bad in law since the same is based on 'information' or 'reason to believe' that does not satisfy the conditions of sections 147 and 148 of the Act.*
- iv. The order of the LAO is bad in law since the same does not satisfy the conditions under section 149 of the Act.*
- v. The order of the LAO is bad in law since the same has been passed without the appropriate sanction under section 151 of the Act.*

The Appellant craves leave to add or alter, by deletion, substitution or otherwise, any or all the above grounds of appeal, at any time before or during the hearing of the appeal.

4. The brief facts of the case shows that the Assessee is a public charitable trust registered u/s. 12AA of the Act setup in the year 2010 with an object of promoting and encouraging education in rural and semi-urban areas. Assessee conducts various courses designed to empower rural and semi-urban youth for employment.
5. Assessee filed its return of income on 28.10.2017 at a total income of Rs. Nil/- wherein it has claimed exemption u/s. 11 of the Act at Rs. 1,53,20,787/-.

6. The case of the Assessee was not picked up for scrutiny but 148 notice was issued to the Assessee on 31.03.2021. The Assessee reiterated its return already filed on 27.04.2021. The reason for reopening was that the Assessee's activities constitute advancement of any other object of general public utility and further as the Assessee is conducting various courses, and income exceeds the specified limit under provisions of section 2(15) of the Act, the Assessee is not entitled to benefit u/s. 11 and 12 of the Act. The total receipt of the Assessee was considered at Rs. 1,64,36,313/-. The contention of the Ld. AO is that Assessee has not carried out any activity in the area of formal education but has undertaken activities in skill development. The Assessee is engaged in running coaching and training programs for skill development to students by charging fees. It was also stated that activities are in the nature of trade, commerce or business. During hearing, the Assessee was questioned on all these issues.
7. The Assessee submitted that Assessee is carrying on the activity of education and is eligible for deduction u/s. 11 of the Act. Assessee also stated that its earnings from the fees are Rs. 1,14,89,020/- and voluntary contribution is Rs. 37,08,000/-.
8. The Ld. Assessing Officer rejected the contentions of the Assessee holding that Assessee is carrying on activities of advancement of any other object of general public utility and not formal education. Therefore, relying upon the decision of the Hon'ble Supreme Court in case of Lok Shikshana Trust 101 ITR 234 did not allow the exemption u/s. 11 and 12 of the Act. The Assessing Officer further noted that Assessee Trust has paid service tax to the tune of Rs. 12,39,293/- which clearly shows that the Trust is running commercial activity and not charitable activities. Accordingly, the Assessment Order was passed at a total income of Rs. 1,50,60,860/-.
9. Assessee aggrieved with the same preferred an Appeal wherein the Assessee challenged the finding of the Ld. Assessing Officer and submitted that Assessee is carrying on educational activities and therefore same are falling u/s. 2(15) of the Act. The Assessee further stated that the Assessee offers several courses

to the various students to make them employable. Assessee also stated that the word education may be considered to include the above activities also.

10. The Ld. CIT(A) considered the explanation of the Assessee but agreed with the order of the Ld. Assessing Officer and Appeal of the Assessee was dismissed.
11. The Ld. Authorized Representative Shri L. Bharath, Chartered Accountant submitted a paper book and written submission. He referred to page no. 49 of the paper book wherein objects of the Assessee are mentioned. Further he referred to the various programmes and skill development courses being conducted by the Assessee. He further referred to the detailed activities carried out by the Assessee at page no. 70 onwards of the paper book. He further stated that the activities of the Assessee are carried out in terms of the Memorandum of Agreement entered into with the National Skill Development Corporation dated 07.09.2015. He submits that merely because the service tax is applicable, the Assessee cannot be said to be carrying on the business. He further stated that in the case of this Assessee, the registration granted to it was cancelled by the Revenue Authorities vide order dated 09.05.2012 which was challenged before the Coordinate Bench in ITA No. 857/Bang/2012 dated 28.03.2013 wherein the registration was cancelled for similar reasons. The Tribunal relying on the decision of the Karnataka Badminton Association allowed the Appeal of the Assessee. He further referred to the series of judgments of the Coordinate Bench in Assessee's own case. Ultimately, he referred to the Hon'ble Karnataka High Court in case of the Assessee in 2025 181 taxmann.com 796 (Karnataka) wherein the Hon'ble Karnataka High Court in Para No. 14, 15, 18 and 19 has categorically held that the Assessee was carrying on an educational activity eligible for benefit u/s. 2(15) and also entitled for exemption u/s. 11 of the Act. Thus, he claimed that the issue is squarely covered in favor of the Assessee by jurisdictional High Court.
12. The Ld. JCIT DR Shri Balusamy N vehemently supported the orders of the Ld. Lower Authorities and submitted that Assessee is carrying on the activity for profit by charging fees from the various students on which service tax is also charged and therefore the main activity of the Assessee cannot be considered

to be an educational activity but advancement of any other object of general public utility. He submitted that the decision of the Hon'ble Supreme Court squarely covers the issue in favour of the Revenue.

13. We have carefully considered the rival contentions and perused the orders of the Ld. Lower Authorities. The Assessee is a charitable trust wherein it is having the object stated hereunder: -
- i. To establish, own, run, takeover or manage and maintain or contribute towards establishment and maintenance of schools, colleges, libraries, institutes, training institutes, and programs of study with an object to provide sound preprimary, primary, middle, secondary, senior secondary higher, graduate and post-graduate education to children and students by seeking recognition and to give instruction and training to faculty, students, and educators in all branches of knowledge and learning including, but not limited to, arts, science and commerce, management, human resources, medical, engineering, information technology, leadership, entrepreneurship and innovation.
 - ii. To focus on, engage, promote, and incubate activities and programs related to, but not limited to, youth development, budding entrepreneurs, local leadership, vocational training, high-end technology, community collaboration, product design, social enterprise, and mentorship.
 - iii. To foster and inculcate the culture of innovation, entrepreneurship, scale/growth, and leadership within the nation's educational system and programs, including activities related to education and its improvement.
 - iv. To arrange and manage the training institutions in computers and technology, fine arts, music, painting, modeling, dancing, yoga, physical education and in other professional training subjects.
 - v. To conduct research in education and other disciplines on different subjects relating to, but not limited to, education, impact measurement, curriculum development, training programs, survey design, leadership development,

- student assessment, health, education, agriculture, livelihoods, the environment, gender, child rights and disability.
- vi. To promote literacy, cultural and other social activities by awareness programs/adult education classes, lectures, exhibitions, symposiums, cultural programs, press conferences, workshops, conferences and seminars.
 - vii. To provide and facilitate infrastructure pertaining to and support education, including but not limited to food, clothes, books, medical aid, stationery, transportations/conveyance, libraries, laboratories, reading rooms, hostels, playgrounds, swimming pools and other facilities to students, teaching and non-teaching staff and also to members of society.
 - viii. To promote prizes, scholarships, exhibitions and funds for the purpose of promoting and improving the education of all branches of knowledge and learning.
 - ix. To arrange and organize various kinds of child development and empowerment programs/activities.
 - x. To facilitate the exchange of ideas and knowledge between members and the larger society (as defined by local, state-wide, national, or international parties interested in and working in the field of education), and the community in general by holding lectures, seminars, discussion groups, exchange, conferences, and workshops or other means, and to establish and maintain libraries of pertinent publications.
 - xi. To pay tuition fees, examination fees, boarding and lodging fees to deserving students and to supply books and educational materials at a market price, subsidized rate or free of cost to such students.
 - xii. To establish a hostel with all amenities for the students and other teaching/non-teaching staff.

- xiii. To conduct leadership, entrepreneurship, high-technology and management education programs for corporate, non-governmental organizations, government institutions and other private sector entities. and organizations, including funding faculties to conduct such programs.
 - xiv. To conduct and facilitate trainings for faculty, educators, and corporations on subjects including, but not limited to, curriculum development, management, entrepreneurship, leadership, organization building and innovation.
 - xv. To affiliate with national and international universities, institutions, autonomous bodies, centers, governments, funding agencies (including private, bi- and multi-lateral agencies), corporations, social enterprises and other leading educational institutions including e-learning programs or distance learning institutions.
 - xvi. To publish books, magazines, case studies, literature, research articles, journals, videos, photographs, audiovisual materials, websites, blogs, and other content by utilizing the expertise available in house and from other resource persons.
 - xvii. To aid, assist, donate or otherwise contribute funds to societies, institutions, trusts and other funds recognized under Section 80 (G) of the Income Tax Act, 1961.
 - xviii. To do such other things/acts/activities, which are necessary and which may be incidental or conducive to the attainment of any of the object of the Trust.
 - xix. To devote resources to advancing finance to poor and needy students for their education and to identify such students in order to give them this benefit.
14. We have also carefully perused the various activities carried out by the Assessee. Based on this we are of the view that the Assessee is carrying on the charitable activities through education for the empowerment of

underprivileged poor women by vocational training and skill development. The Assessee is also affiliated with Karnataka University for offering Master of Social Entrepreneurship courses. Thus, the activities of the Appellant clearly show that it is engaged in providing systematic instructions or training involving the process of teaching and learning various subjects. The education for a particular degree such as MSE clearly shows that it is a classroom activity conducted by the Assessee which is an education only. Further, it is also carrying out residential programmes for vocational training. It is also shown that there is no surplus continuously earned by the Assessee but in several Assessment Years, it has a deficit of expenses over income.

15. The Hon'ble Karnataka High Court in *Deshpande Education Trust vs. Assistant Commissioner of Income-tax* [2025] 181 taxmann.com 796 (Karnataka)/[2026] 309 Taxman 106 (Karnataka)[17-12-2025] [Assessee's own case] considering the decision of the Hon'ble Supreme Court [1976] in 1 SCC 254 has categorically held that activity of the Appellant is Education u/s. 2(15) of the Act as assessee-trust was engaged in activity of providing vocational training and skill development to rural youth in areas of science, arts, business and commerce, since activity that assessee was indulged in included systematic instructions or training which involved process of teaching and learning, it could not be stated that activities offered by assessee were not 'education' under section 2(15) and, accordingly, assessee was entitled for exemption under section 11.
16. Therefore, respectfully following the decision of the Hon'ble High Court, we do not find any reason to sustain the orders of the Ld. Lower Authorities. Accordingly, we direct the Ld. Assessing Officer to consider the activities of the Assessee as educational activities u/s. 2(15) of the Act and grant an exemption has provided u/s. 11 and 12 of the Act. Accordingly, ground no. 4 to 11 of the Appeal are allowed. All other grounds are not pressed and hence dismissed.
17. In the result, Appeal of the Assessee is allowed as indicated above.
18. ITA No. 3100/Bang/2025 filed by the Assessee for Assessment Year 2016-17 on similar grounds against the order of the Ld. CIT(A) dated 15.10.2025 wherein the Appeal of the Assessee against the Assessment Order dated

13.12.2018 passed u/s. 143(3) of the Act by the Income Tax Officer (Exemptions), Ward-1, Hubli was dismissed. In this case also, the Assessee was denied deduction u/s. 11 and 12 of the Act for similar reasons.

19. For Assessment Year 2017-18 in ITA No. 3101/Bang/2025, the Appeal is filed by the Assessee against the order passed by the Ld. CIT(A) dated 15.10.2025 wherein the Appeal filed by the Assessee against re-assessment order passed u/s. 147 of the Act dated 30.03.2022 was dismissed wherein the Ld. Assessing Officer denied the benefit of section 11 and 12 to the Assessee for similar reasons.
20. In both these Appeals, for the reasons given by us in deciding the Appeal of the Assessee for Assessment Year 2015-16, we have categorically held relying on the decision of the Hon'ble Karnataka High Court that Assessee is carrying on the activities of charitable nature of education and not any other object of general public utility and therefore is entitled to exemption u/s. 11 and 12 of the Act. For similar reasons, we do also allow the Appeals of the Assessee for these two Assessment Years.
21. Thus, Appeal of the Assessee for these 3 years are allowed.

Order pronounced in the open court on 15th April, 2026.

Sd/-
(KESHAV DUBEY)
JUDICIAL MEMBER

Sd/-
(PRASHANT MAHARISHI)
VICE PRESIDENT

Bangalore,
Dated, the 15th April, 2026.

TNTS

Copy to:

1. Appellant
2. Respondent
3. CIT
4. DR, ITAT, Bangalore
5. CIT(A)

By order

Assistant Registrar,
ITAT, Bangalore