



* **IN THE HIGH COURT OF DELHI AT NEW DELHI**
 + **{ITA No. 1966 of 2010}**

% *Date of order; December 14, 2010*

COMMISSIONER OF INCOME TAX

....APPELLANT

Through: Ms. Prem Lata Bansal,
Sr. Standing Counsel.

VERSUS

CHILD EDUCATION SOCIETY

....RESPONDENT

Through: Mr. C.S. Aggarwal, Sr. Advocate with
Mr. Prakash Kumar, Advocate

CORAM :-

HON'BLE MR. JUSTICE A.K. SIKRI
HON'BLE MR. JUSTICE SURESH KAIT

1. Whether Reporters of Local newspapers may be allowed to see the Judgment?
2. To be referred to the Reporter or not?
3. Whether the Judgment should be reported in the Digest?

A.K. SIKRI, J. (ORAL)

1. The respondent School is enjoying exemption under Section 11 of the Income-Tax Act (hereinafter referred to as 'the Act'). Alongwith this, exemption under Section 80 G of the Act has also been given to the respondent assessee from time to time. For the period w.e.f. 1st April, 2000 to 31st March, 2003, the exemption under Section 80 G of the Act was granted to the respondent on 30th May, 2000. This exemption was renewed for a further period starting from 1st April, 2003 to 31st March, 2006 vide orders dated 16th December, 2003. After the expiry of this period, the assessee made another application for exemption under



Section 80 G (5) of the Act on 30th March, 2006. The respondee however, vide its communication dated 17th October, 2006 sought leave to withdraw the said application with liberty to file it afresh subsequently. Orders dated 19th October, 2006 were passed allowing the assessee to withdraw the application and the application was thus dismissed. Subsequently, the assessee filed fresh application dated 12th June, 2007 for the same purpose namely seeking exemption under Section 80G (5) of the Act. This application was dismissed by the Director of Income-Tax (Exemption), (DIT for short), on 16th October, 2008. The application was rejected on the ground that the assessee was forcing the parents of the students in the school to give donation. It was also alleged that the assessee had indiscriminately issued Certificate under Section 80 G of the Act. The DIT took note of the facts that same happened in the earlier assessment years also because of which the assessee was denied exemption under Section 11 of the Act which order was confirmed by the CIT (A) and against those orders, appeals were filed by the assessee which were pending before the ITAT. He, thus, was of the opinion that when exemption under Section 11 of the Act was not allowed, there was no question of giving exemption under Section 80G of the Act.

2. It also appears from the orders dated 16th January, 2008 passed by the DIT that the DIT treated the said application for exemption filed by the respondent seeking exemption w.e.f. 1st April, 2007. According to the assessee, this was apparent mistake, inasmuch as, application was filed for renewal of exemption w.e.f. 1st April, 2006 and not 1st April,



2007. This application of the assessee under Section 154 of the Act was dismissed by the DIT vide orders dated 15.7.2009.

3. The assessee preferred appeal against the order dated 16th January, 2008. The Tribunal has allowed this appeal and has held that the assessee is entitled to Exemption Certificate under Section 80 G of the Act w.e.f. 1st April, 2006. Challenging this order, present appeal is preferred by the Revenue.

4. It would be necessary to point out at this stage that the appeals which were filed by the assessee against the orders of the Assessing Officer and the CIT (A) denying exemption under Section 11 of the Act were allowed by the ITAT. In respect of assessment years 2005-06, in fact, the CIT (A) had reversed the order of the Assessing Officer granting exemption under Section 11 of the Act which order was not challenged by the Department. The Tribunal while allowing the appeal, returned the finding that there was no violation or irregularities committed by the assessee and, therefore, the assessee was entitled to exemption under Section 11 of the Act.

5. Following these earlier orders and finding therein that the assessee had not committed any violation either in forcing the parents to give donation or issuing the certificate under Section 80G of the Act indiscriminately, the ITAT has held by way of impugned decision that the assessee would be entitled to exemption certificate under Section 80G of the Act as well.



6. The first submission of learned counsel for the Revenue is that ITAT relied upon its decision which pertains to assessment years 2002-03 and 2003-04 which was not relevant for deciding the controversy in the concerned year. Her Submission in this behalf was that the DIT had taken note of specific irregularities which were committed in the year 2004 and instances of those irregularities were given in para 4 of the orders dated 16th January, 2008. According to her, the Tribunal failed to take note of those irregularities and went by its decision pertaining to earlier assessment years which were of no relevance. The irregularities which are alleged in para 4 of the order of the DIT are as under:-

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Receipt date	no. &	Alleged donor	Amount	Mode of payment	Purpose
101 24.4.04	dated	Welingkar Inst. Of Mgt.	40,000/-	Cheque	Not mentioned
109 13.7.04	dated	Career Launcher I (P) Ltd.	42,000/-	Cheque	Not mentioned
110 13.7.04	dated	Career Launcher I (P) Ltd.	42,000/-	Cheque	Not mentioned
111 15.10.04	dated	Karuna Sharma	56,400/-	Cheque	Canteen GR & PR
112 21.10.04	dated	Anil Kumar	22,734/-	Cash	Ice Cream
113 23.11.04	dated	Vinof Kumar	43,778/-	Cash	Canteen for Jice/Amul Milk
115 27.11.04	dated	Chhotu Amusement Park	51,500/-	Cash	Towards display stall.

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7. The precise submission is that even when certain persons had supplied the goods or rendered services, the same was treated as donation and certificate under Section 80G were issued which would clearly demonstrate that School was issuing these Certificates indiscriminately. What is ignored by the DIT is the explanation of the assessee contained in para 6 of the assessee's letter dated 28th



December, 2007. The assessee had specifically stated that the receipts pertain to Winter Carnival and had been accounted for in the books of accounts of the assessee during the year 2004-05. It is a common knowledge that when such functions or carnivals are organized by these Institutions, many sponsors come forward and instead of giving donation in cash, they contribute in kind which is treated as donation. From the aforesaid Chart it becomes abundantly clear that one person had supplied Ice Cream and another had supplied Juice/Amul Milk and third person had made the arrangement of display of stalls. The amount spent by them in rendering those services was treated as donation and certificates of equivalent sum were issued under Section 80G of the Act. We thus fail to understand as to how it can be treated as irregularities.

8. In so far as contention of learned counsel for the appellant that the application for exemption under Section 80G of the Act was preferred by the assessee only for the period w.e.f. 1st April, 2007 is concerned, we do not see any merit therein. The order passed by the DIT on 15th July, 2009 dismissing application of the assessee under Section 154 of the Act reveals that DIT was faced by the fact that the first application moved by the assessee on 30th March, 2006 was withdrawn and as the second application was moved on 12th June, 2007, it was inferred that such an application would be for the period from 1st April, 2007. We fail to understand the logic behind such reasoning adopted by the DIT.

9. From the facts narrated above, it is clear that the assessee had made application for exemption under Section 80G of the Act on 30th March, 2006. In this application it was specifically mentioned that the



exemption was expiring on 31st March, 2006 and request was made renewal thereon. Merely because the assessee withdrew this application and it was dismissed as withdrawn and later application was filed on 12th June, 2007, it could not be inferred that the second application is w.e.f. 1st April, 2007 and not from 1st April, 2006. Mr. C.S. Aggarwal, learned Senior Counsel appearing for the assessee has produced copies of all these application and other documents. In the application dated 12th June, 2007, it is categorically pointed out that the earlier exemption has expired on 31st March, 2006 and renewal thereof is sought. The dates which are mentioned in this application dated 12th June, 2007 are identical which were stated in the first application dated 30th march, 2006. We state at the cost of repetition that while withdrawing first application, the assessee had sought liberty to file fresh application. In these circumstances, the presumption of the DIT that the second application was for the period started from 1st April, 2007 is totally fallacious. Mr. Aggarwal has also submitted a chart showing the period from which the assessee has been given exemption under Section 80G. It would be of interest to note that even for the period from 1st April, 2008 to 31st March, 2001 the assessee has already been granted exemption under Section 80G of the Act vide orders dated 31st December, 2008. This would also demonstrate that application which was preferred by the assessee seeking exemption was for the period from 1st April, 2006 to 31st March, 2008 and not for 1st April, 2007 as the assessee would not like to keep the period from 1st April, 2006 to 31st March, 2007 in vacuum when the assessee has shown its due diligence in seeking exemption even for subsequent years.



10. We thus find no merit in these appeals preferred by the Reven
and dismissed the same with costs quantified @ ₹ 20,000/-.

(A.K. SIKRI)
JUDGE

(SURESH KAIT)
JUDGE

DECEMBER 14 , 2010
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