IN THE INCOME TAX APPELLATE TRIBUNAL
"A" BENCH, DELHI

BEFORE SHRI ANUBHAV SHARMA, JUDICIAL MEMBER & SHRI AMITABH SHUKLA, ACCOUNTANT MEMBER

ITA No.1709/Del/2026
(Assessment Year: ……….)

Muni Education Society Nathupur, Sonepat, Haryana – 131029	Vs.	ITO, Exemption War Zila Parishad Building, Rohtak Haryana – 124001
स्थायीलेखासं./जीआइआरसं./PAN/GIR No: AABTM7209C		
Appellant	..	Respondent

Appellant by :	Ms. Mansi Jain, Adv. Sh. Tanishq Ahuja, Adv. Sh. Anirudh Mittal, Adv.
Respondent by :	Ms. Rakhi Vimal, CIT, DR

Date of Hearing	02.07.2026
Date of Pronouncement	10.07.2026

O R D E R

PER ANUBHAV SHARMA, JM:

This appeal preferred by the Assessee against the order dated 20.01.2026 of the Commissioner of Income-tax, Exemption, Chandigarh (hereinafter referred as 'Prescribed Authority') against the rejection of Form 10AB and consequent cancellation of registration granted under Section 12A(1)(ac)(ii) of the Income Tax Act 1961.

2. On hearing both sides we find that the primary grounds of assesse challenging the impugned order of ld. Prescribed authority is that the application for renewal of registration has been rejected by making inquiry beyond scope of Section 12AB(1)(b) of the Act.

3. Ld. DR has relied the impugned order and submitted that while examining the genuineness of activities assessee's financial credentials and use of funds can be examined.

4. We find that in the impugned order ld. Prescribed authority has mentioned of the fact that from the financial statements of the applicant it was found that loans and advances were given to members/relatives without any justification. Assessee has tried to explain the same that this amount have been received back in part and remaining will be received. Assessee had however, reasserted that it is running CBSE Affiliated Senior Secondary School and imparting education to the public at large and covered under main limb of Section 2(15) of the Income Tax Act, 1961. However, ld. Prescribed authority discussed the issue restricting the reasoning to application of funds being not justified and that the same are not for objects of society.

5. We are of the considered view that scope on examination of the issue for grant of registration u/s 12A(1)(ac)(ii) is to examine the object of the trust and the genuineness of activities and further that there is no infringement of any other law for the time being enforce. There is no denial on the part of the department that assesse is a trust actively running a school in the name of Om Shanti Siksha Sadan Senior Secondary School. The issue of non-application of certain part of funds to non-charitable activities cannot be made basis to hold that objects were non-charitable or that these activities were mot genuine or contrary to its objects or that any applicable law has been violated. The scope of inquiry is confined to examine charitable nature of objects and the genuineness of activities which prima facie stand established by the fact that assesse is a society registered since 26.08.2013 under the Haryana Registration and Regulation of Societies Act, 2022 and prior to it was registered since 1991-92 under the old Act and while filing the application copy of which is available at page No. 1-9 of the paper book or copy of by laws of the society were provided and the copy of same is also made available to us at page No. 10-35 of the paper book and the same makes it crystal clear that in the year 2013 when aims and objects of the society were amended even at that time the society was running a school in the name and style of Om Shanti Siksha Sadan Senior Secondary School at

village Nathupur, District, Sonepat. However, while passing impugned order ld. Prescribed authority has not at all found any deficiency or discrepancy in any other claim of the assesse and only for the reason of certain loans being given to members/relatives the registration has been denied which certainly is beyond the scope of powers vested to make inquiries u/s 12AB(1)(b) of the Act.

6. The law in this regard is settled that at this stage only the object of the trust and genuineness of the activities were to be examined along with the fact if there was any infringement of any other law for the time being in enforce. The certificate of registration is only an enabling provision to claim exemption and by merely granting registration, income is not exempted. The ld. Tax authorities have sufficient powers to subsequently examine the application of funds and to then deny the exemption as claimed. Further, with provisions of specified violation coming into effect the ld. Tax authorities have powers to cancel registration once granted if any specified violation is found to be committed. However, at this stage by examining the application of funds, registration cannot be denied by alleging that some parts of the funds are diverted. Reliance in this regard is placed on the decision of Hon’ble Karnataka High Court in CIT, CC Vs. AS Kupparaju Brothers Charitable Foundation Trust (2012) 17 taxman.com 242

(Karnataka); the Coordinate Bench decision in the case of Pista Devi Education Society Vs. CIT(Exemptions) Chandigarh 2026 (5) TMI 993- ITAT Delhi & ITAT Chandigarh decision in the Indian Institute of Model Education Society, Chandigarh Vs. The CIT(E) Chandigarh 2026 (5) TMI 36- ITAT Chandigarh.

7. In the light of aforesaid discussion we sustain the grounds. The appeal is allowed and the ld. Prescribed authority is directed to allow the application and issue the registration.

Order pronounced in the open court on 10.07.2026

Sd/-	Sd/-
(Amitabh Shukla)	(Anubhav Sharma)
ACCOUNTANT MEMBER	JUDICIAL MEMBER

Dated 10.07.2026
Rohit, Sr. PS

Copy forwarded to:

1. Appellant
2. Respondent
3. CIT
4. CIT(Appeals)
5. DR: ITAT

ASSISTANT REGISTRAR

ITAT NEW DELHI