आयकर अपीलीय अधिकरण, 'ए' न्यायपीठ, चेन्नई।
IN THE INCOME TAX APPELLATE TRIBUNAL
'A' BENCH: CHENNAI

श्री यस यस विश्वनेत्र रवि, न्यायिक सदस्य एवं सुश्री पदमावती यस, लेखा सदस्य के समक्ष
BEFORE SHRI SS VISWANETHRA RAVI, JUDICIAL MEMBER AND MS. PADMAVATHY.S, ACCOUNTANT MEMBER

ITA Nos.952 & 953/CHNY/2026 निर्धारण वर्ष/**Assessment Years: 2026-27**		
CENTRE FOR SOCIAL DEVELOPMENT, KULALAR STREET, THIRUNAINAR KURICHY, AMMANDIVILAI POST, KANYAKUMARI-629204, PAN: AAAAC2059A	Vs.	CIT (EXEMPTION), CHENNAI
(अपीलार्थी / **Appellant**)		(प्रत्यर्थी / **Respondent**)
ITA No.2616 & 2617/CHNY/2026 निर्धारण वर्ष/**Assessment Years: 2026-27**		
RESOURCE CENTRE FOR ECOLOGY AGRICULTURE AND COMMUNITY DEVELOPMENT, KADAYAL, KALIYAL POST, KANYAKUMARI-629101, PAN: AAATR 4614B	Vs.	CIT (EXEMPTION) CHENNAI-600034, TAMIL NADU
(अपीलार्थी / **Appellant**)		(प्रत्यर्थी / **Respondent**)
ITA No.2618 & 2619/CHNY/2026 निर्धारण वर्ष/**Assessment Years: 2026-27**		
INDIAN FORUM FOR SUSTAINABLE DEVELOPMENT, KEEZHANOOR, MEPPALAI, CHERUVALLUR B.O, KANYAKUMARI-629152, PAN: AABTI 1396N	Vs.	CIT (EXEMPTION) 121 MG ROAD, NUNGAMBAKKAM CHENNAI-600034, TAMIL NADU
(अपीलार्थी / **Appellant**)		(प्रत्यर्थी / **Respondent**)

निर्धारिती द्वारा/Assessee represented by:	Mr. D.R. Raghunath, Advocate
राजस्व द्वारा/Revenue represented by:	Ms. R. Anitha, CIT

सुनवाई की तारीख / Date of conclusion of hearing:	24-09-2026
घोषणा की तारीख / Date of pronouncement:	14-10-2026

आदेश / O R D E R

PER BENCH:

These appeals by the difference assessees are against the order of the Commissioner of Income Tax (Exemptions), Chennai (in short "CIT(E)") denying the registration u/s. 12A and approval u/s. 80G of the Income Tax Act, 1961 (in short "the Act"). The issues contended in these appeals are common and hence, these appeals were heard together and disposed of by this common order for brevity.

2. For the purposes of adjudication, we will consider the appeal in ITA No.953/Chny/2026 against the order in rejecting the registration u/s. 12AB of the Act as the lead case.

3. The assessee is a society registered under the Tamil Nadu Societies Registration Act. The assessee is engaged in charitable activities aimed at women empowerment, rural development, social welfare and upliftment for economically weaker and disadvantaged sections of the society. The assessee made a petition for registration u/s. 12AB of the Act, which came to be rejected by the CIT(E) on the ground that the predominant activity of the

assessee is stated to be maintaining Self Help Groups (SHG) and arranging loan facilities for which incentive income is received from the banks. The CIT(E) further held that the bank incentives and service charges of the activities are to be treated as systematic and organized commercial activity and the income period derived therefrom exceeds the permissible limit of 20% under the provisions of proviso to Section 2(15) of the Act. The relevant findings CIT(E) in this regard are extracted hereunder:

"4) Decision:

4.1. The reply of the applicant is taken on record. However, the application filed by applicant trust dated 24/06/2025 in form 10AB u/s 12A(1)(ac)(ii) is rejected for the following reasons. 4.2

Commercial activity:
4.2.1 It is seen from the financials that the predominant activity of the trust is maintaining SHGs. Its major activities are in the nature of arranging loan facilities to various self-help groups for which the trust is receiving incentive income from banks.

4.2.2 On perusal of the financials, it is found that, its major source of income is incentive from banks. For the sake of convenience, the income and expenditure statement is reproduced below:

CENTRE FOR SOCIAL DEVELOPMENT
THIRUNAINARKURICHI, KANYAKUMARI DISTRICT
CONSOLIDATED INCOME AND EXPENDITURE ACCOUNT FOR THE YEAR ENDED 31-03-2025

EXPENDITURE	RS. P.	RS. P.	INCOME	RS. P.	RS. P.
TO TANSACS - CORE GROUPS: As per Schedule		23,92,029.00	BY GRANT RECEIVED: TANSACS, Chennai		25,96,231.00
" GENERAL ACCOUNT: As per Schedule		10,47,581.11	" OTHER RECEIPTS: Subscription	700.00	
" FC ACCOUNT: As per Schedule		1,054.00	SHG Promotions activitie	105731.00	
" APAC-CORE PROJECT: As per Schedule		118.00	Other Income	1105.00	10,59,116.00
" CAPART PROJECT: Administrative expenses		5,266.00	" BANK INTEREST: General A/c	1037.00	
" DST-Perunkulam Project: Administrative expenses		132.85	FC Account	230.04	
" KVIC - R and D Training: Administrative expenses		0.60	AICP Project	59.00	
" Depreciation		6,28,012.00	SC-Agri Project	229.00	
			APAC-Core Groups	24.00	
			KVIC Project	114.00	1,693.04
			" Excess of Expenditure over income		4,17,153.52
TOTAL		40,74,193.56	TOTAL		40,74,193.56

4.2.3 On a detailed scrutiny of the financials reveals that the applicant is receiving incentive/service charges from the banks. The quantum and pattern of receipts indicate that the applicant is running an activity on a systematic and organised basis with a clear

nexus between services rendered and income earned, which is a defining feature of a business or commercial activity.

4.2.4 The financial statements demonstrate that approximately 26% of the total receipts of the trust consist exclusively of bank incentives. This establishes beyond doubt that the applicant is not merely incidentally earning income while pursuing charitable objects, but is primarily and consistently functioning as an intermediary between banks and SHGs. The applicant's core role is to facilitate credit linkage, mobilise deposits, and act as a conduit for the banking system in return for monetary consideration. Such a dominant income structure negates the claim of charitable purpose.

4.2.5 The nature of such activities is akin to that of a ***Business Facilitator (BF) or Service provider****, who act as agents of banks to generate business on their behalf. Typical functions of such BFs include:*

- *Mobilisation of Savings, Current, Recurring, and Fixed Deposit accounts.*
- *Soliciting and referring loan proposals to banks/financial institutions.*
- *Assisting banks in expanding outreach in rural and semi-urban areas.*
- *Receiving commissions/incentives from banks for such mobilisation services.*

4.2.6. These functions are commercial activities carried out in exchange for a fee. The income stream of the applicant is therefore in the nature of consideration for services rendered rather than voluntary contributions or charitable grants.

4.2.7 Further, the test of "dominant purpose" also fails in this case. For an organisation to qualify as charitable, even if it incidentally undertakes some revenue generating activities, the primary and predominant object must be charitable in nature, and any business activity must be ancillary or incidental to such charitable purpose. In the present case, the overwhelming share of commercial receipts (nearly 26%) conclusively shows that the commercial activity is not incidental but rather the core object of the applicant.

4.2.8 The objectives and activities of the applicant trust not even fall under the limb of General Public Utility which means any object that benefits the general public at large. In the case of CIT vs Ahmedabad Rana Caste Association, the Hon'ble Gujarat High Court has straightforwardly held that ***General*** *means pertaining to a whole class.* ***Public*** *means the body of people at large including any class of the public.* ***Utility*** *means usefulness. Therefore, the advancement of any object of benefit to the public or a section of the public* ***as distinguished from the individual or group of individuals*** *would be a charitable purpose.*

4.2.9 Even if the objectives of the applicant trust is considered under advancement of any other objects of general public utility, provisions of section 2(15) of the Act come into picture. The relevant provisions are reproduced below:

(15) "charitable purpose" includes relief of the poor, education, yoga, medical relief, preservation of environment (including watersheds, forests and wildlife) and preservation of monuments or places or objects of artistic or historic interest, and the advancement of any other object of general public utility:

Provided *that the advancement of any other object of general public utility shall not be a charitable purpose, if it involves the carrying on of any activity in the nature of trade, commerce or business, or any activity of rendering any service in relation to any trade, commerce or business, for a cess or fee or any other consideration, irrespective of the nature of use or application, or retention, of the income from such activity, unless—*

(i) such activity is undertaken in the course of actual carrying out of such advancement of any other object of general public utility; and
(ii) the aggregate receipts from such activity or activities during the previous year, do not exceed twenty per cent of the total receipts, of the trust or institution undertaking such activity or activities, of that previous year;

4.2.10 As per the provisions of Section 2(15) of the Income Tax Act, 1961, the advancement of any other object of general public utility shall not be charitable purpose, if it involves the carrying on of any activity in the nature of trade, commerce or business or any activity

or running services in relation to any trade, commerce or business, for a cess or fee or any other consideration, irrespective of the nature of use or application, or retention, of the income from such activity.

4.2.11 The applicant major activities are in the nature of arranging loan facilities to self-help groups for which the trust is receiving incentive income from banks. Further, the receipts from the said activities are in excess of the threshold limit of 20% of the total gross receipts. Therefore, the proviso to Section 2(15) is clearly and distinctly applicable in the case of the applicant.

5. In view of the above facts, the application of the applicant trust cannot be processed. As stated in paragraph 1 of this order, in accordance with the provisions of Section 12AB(1)(b)(ii)(B) of the Income-tax Act, 1961, where an application is made under Section 12A(1)(ac), and the Principal Commissioner or Commissioner is not satisfied with the genuineness of the activities of the trust or institution or the compliance of such requirements as prescribed under the Act, the application can be rejected."

4. The Ld. Authorized Representative (AR) of the assessee submitted that the assessee is not engaged in any commercial activity and the objects of the trust would fall within "relief to poor" and therefore, testing the income of the assessee by invoking the proviso to Section 2(15) of the Act, which is applicable only to organizations engaged for general public utility is not applicable to assessee's case. The Ld. AR further submitted that the loans are sanctioned and disposed directly by the banks to the SHG and as part of women empowerment and rural development, the assessee facilitates such activities. The Ld. AR also submitted that the assessee as per the agreement to the banks receives certain amount as the grant or incentives which has been completely utilized for charitable purposes. The Ld. AR argued that the CIT(E) has not disputed the primary objectives of the trust which is clearly coming out of the financial statements but has incorrectly classify the assessee

as engaged in general public utility services and rejected the registration by invoking the proviso to section 2(15) of the Act. The Ld. AR drew our attention to the financial statements of the assessee for the last three years to submit that the assessee's activities are completely charitable in nature and therefore denying the registration by invoking the proviso is not tenable. The Ld. AR also relied on the decision of the Hon'ble Madras High Court in the case of CIT vs. M/s. Kurinji Social Welfare Society [TCA No.280 of 2011 dated 20.08.2001] where it has been held that:

> *"iii. Whether, on the facts and in the circumstances of the case, the Income Tax Appellate Tribunal was right in ignoring the amendment to Section 2(15) of the Income Tax Act, 1961 brought about by the Finance Act, 2008 wherein it was made clear that the advancement of any other object of general public utility shall not be a charitable purpose if it involves carrying on any activity in the nature of trade, commerce or business or rendering any service relating to trade, etc., by way of cess or fee or any other consideration?"*
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> *4. The respondent – assessee is a society registered under the provisions of the Tamil Nadu Societies Registration Act, 1975 and they are engaged in the activity of micro finance for upliftment and development of rural women, who are below the poverty line. The assessee, which was established during the year 1991, was registered in the year 2005 and they submitted an application on 24.2.2009 seeking registration under Section 12AA of the Act. The Commissioner of Income Tax-I, Tiruchirapalli (for short, the CIT), by order dated 10.8.2009, rejected the application on the ground that the assessee is not engaged in charitable activity, rather the assessee is charging interest on the amount lent to the self help group and service charges for doing documentation, account writing, etc., on behalf of the self help group and it tantamounts to charging fee/consideration for the services to the self help group.*
>
> *5. Aggrieved by the order of rejection of the application for registration under Section 12AA of the Act, the assessee preferred an appeal to the Tribunal, which, by the impugned order, allowed the appeal. Challenging the correctness of the same, the Revenue is before us by way of this appeal.*

6. The undisputed facts are that the respondent – assessee is a society registered under the provisions of the Tamil Nadu Societies Registration Act. The CIT did not dispute the fact that the assessee has been engaged in the business of micro finance for women self help group by obtaining funds from nationalized banks. The reason for rejecting the application for grant of registration under Section 12AA of the Act is solely on the ground that the assessee borrows funds from the nationalized banks, which have lent funds at 13.5% interest on diminishing basis. The funds obtained from the nationalized banks are lent or advanced as loan to the women self help group and interest at the rate of 15% is being charged. Added to that, the CIT pointed out that 20% is being charged as service charges and there are other charges also collected for the purpose of documentation, writing accounts, etc., and taking note of the amounts, which have been collected by the assessee over and above interest at the rate of 15%, it would show that the assessee is not engaged in a charitable activity and that the activity done by them would tantamount to charging fee or consideration for the services rendered.

7. The Tribunal has done a thorough factual exercise and has found that the genuinity of the society is not in doubt since both the State and the Central Governments have been granting funds to the assessee. Furthermore, the Tribunal, on facts, has found that the beneficiaries are 2700 in number and apart from extending loan to the women of the self help group, other activities like construction of 110 latrines are also carried on by the assessee in rural areas. The Tribunal has also noted that apart from interest on loan, the assessee has income under the head charges on documentation, entrance fee and inspection charges.

8. When the activity of the assessee, which grants relief to the poor is not in dispute, the genuinity of the claim made by the assessee for registration ought not to have been rejected solely on the ground that certain service charges are being collected. Admittedly, women of the self help groups are people, who come from the marginalized society and they are poor rural women, who do not have the wherewithal to approach the nationalized banks for availing loan. If the assessee does not carry on such activity by rendering financial assistance to the women of self help groups, they will have to be under the mercy of the private financiers, who are charging exorbitant rate of interest. Considering all these aspects, the Tribunal granted relief to the respondent assessee. In our considered view, there is no question of law much less substantial question of law arising for consideration in this appeal, as the entire matter is factual and much of the factual position with regard to the

genuinity of the assessee have not been disputed either by the Tribunal or the CIT."

5. The Ld. A.R also placed reliance on the decision of the Coordinate Bench in the case of Blaze Trust vs. CIT (E) [ITA No.563/Chny/2025 dated 07.04.2026], where it is held that:

*"**9.** We have heard the rival submissions and perused the materials available on record and gone through the order of the ld.CIT(E) along with the paper book filed. We find merit in the arguments of the Ld.AR and we further note that the assessee was incorporated in the year 2003 and has been addressing the issues faced by the downtrodden people with an intent to ensure socio economic empowerment of such people.*

***10.** The Income Tax Department had recognized the activities pursued by the assessee as charitable and granted the registration u/s.12A of the Act under the old regime on 30.11.2008. Similarly, under the new regime, the registration sought for u/s.12A of the Act was also granted by the Department for five years on 30.09.2021 by reckoning the activities carried out by the assessee as charitable. In this background, we find it deem fit to adjudicate the findings recorded by the ld.CIT(E) for rejecting the registration sought for u/s.80G of the Act.*

***11.** The main reason given by the ld.CIT(E), Chennai for rejecting the grant of registration is on the ground that the activities of the Assessee are in the nature of Business Correspondent which understanding of the ld.CIT(E) is found to be unacceptable in the absence of any findings demonstrating the commerciality in the overall activities of the trust. The Trust Deed itself authorizes activities such as formation of self-help groups, micro-credit programmes and developmental initiatives, which necessarily involve interaction with financial systems, and therefore, any facilitative role played by the Trust in this regard cannot be divorced from its objects or characterized as an independent business.*

***12.** Moreover, there is no material on record to demonstrate that the Trust is driven by a profit motive, or that it carries on systematic commercial operations with a view to earning profits. There is no distribution of surplus to trustees or members, and any income generated is wholly applied towards the objects of the Trust. In fact, from the perusal of the financial statements we find that there is no abnormal surplus or profit emanating and further we are of the view that the activities carried out by the assessee*

trust brought out in the annual reports placed on record (Page No.76 to 96) would fall within the ambit of relief to poor.

13. *The absence of profit motive is a crucial factor which distinguishes a charitable activity from a business activity, and in the present case, the assessee had demonstrated that the activities carried out are not with the intention to make profit and the functioning of the Trust indicate that it operates in a not-for-profit framework, utilizing its resources for the benefit of the target beneficiaries.*

14. *In view of the above facts, we are inclined that the activities of the assessee Trust are purely charitable in nature, carried out in furtherance of its stated objects, and any incidental activity cannot alter the essential character of the Trust and various activities provided by the assessee would fall within the ambit of uplifting of poor, medical relief, education etc. which activities of the trust cannot be completely ignored for the purpose of granting approval u/s.80G of the Act.*

15. *It is also a settled position of law that at the stage of granting approval u/s.80G of the Act, the competent authority is required to examine only the nature of objects and the genuineness of activities, and not to sit in judgment over the application of income or to recharacterize incidental activities as business, in the absence of any evidence of profit-oriented conduct. Further, we are of the view that the provisions in proviso to Section 2(15) of the Act would not get attracted to the facts of the case since the activities carried out by the assessee trust falls within the ambit of relief to poor.*

16. *Accordingly, considering the charitable objects of the Trust and the genuineness of its activities which would fall within the ambit of relief to poor, the assessee Trust is held to be eligible for approval u/s.80G of the Act. The rejection of the application is therefore unsustainable and is set aside and the ld.CIT(E) is directed to grant approval u/s.80G of the Act."*

6. The Ld. Departmental Representative (DR), on the other hand, vehemently argued that the assessee has entered into agreement with financial institution such as banks whereby the assessee is soliciting the loan giving activity of the banks for which the assessee is receiving the commission. The Ld. DR further submitted that therefore the assessee is not engaged in the

activity of relief to the poor but is engaged in promoting the business of the banks by rendering the service liaisoning loan facility which is not charitable in nature. The Ld. DR also submitted that the claim of the assessee that it is engaged in relief to poor, empowerment of women etc. through SHG cannot be accepted and at best the assessee could be taken to be engaged in general public utility services whereby the proviso to Section 2(15) of the Act would be clearly applicable in assessee's case. The Ld. DR argued that the proviso to Section 2 (15) of the Act clearly states that irrespective of the purpose of which the income from commercial activity is utilized, the assessee cannot be held to be a charitable institution if their income from said commercials activity exceeds prescribed percentage of 20%. The ld. DR further argued that in the present case the commission income earned by the assessee from arraigning loans is 26% which is far higher than the prescribed percentage. Accordingly, the Ld. DR argued that the assessee cannot be held to be the charitable institution, and the CIT(E) has rightly denied the registration u/s. 12AB of the Act. With regard to reliance placed by the assessee on the decision of Kurinzi Social Welfare Society (supra), the Ld. DR submitted that in a subsequent decision by the Jurisdictional High Court in the case of Kalanjiam Development Financial Services vs. ITO(E) [2025] 174 taxmann.com 1108 (Mad.) has considered a similar issue of supporting SHG and held that:

> ***"34.*** *In the present case, the attempt of the Appellant/Assessee is to claim exemption on income derived from the processing fees collected by the Appellant/Assessee from the small borrowers through self-help groups under Section 11 of the IT Act by applying the exception provided in subsection (4A) to Section 11 of the IT Act to the facts of the case.*

35. *While dealing with the scope of sub-section (4A) to Section 11 of the IT Act, the Hon'ble Supreme Court in " New Noble Educational Society v. CIT [2022] 143 taxmann.com 276/290 Taxman 206/448 ITR 594 (SC)/(2023) 6 SCC 649, observed as under:-*

> *"76. In view of the above discussion, it is held that charitable institutions and societies, which may be regulated by other State laws, have to comply with them just as in the case of laws regulating education (at all levels). Compliance with or registration under those laws, are also a relevant consideration which can legitimately weigh with the Commissioner or other authority concerned, while deciding applications for approval under Section 10(23-C).*
>
> *77. This reasoning equally applies especially in Section 11(4-A) which speaks of profits incidental which specifies that exemption in relation to income or trust of an institution which are profits or means of business cannot be exempted "unless the business is incidental, trust or as the case may be institution and separate books of accounts are maintained by such trusts or institution in respect of such business". Thus, the underlying objective of the seventh proviso to Section 10(23-C) and of Section 11(4-A) are identical. These have to be read in the light of the main provision which spells out the conditions for exemption under Section 10(23-C) — the same conditions would apply equally to the other sub-clauses of Section 10(23-C) that deal with education, medical institution, hospitals, etc."*

36. *The Impugned Order of the Tribunal has referred to the Definition of "Charitable Purpose". The dispute in the present case pertains to the Assessment Year 2009-2010 for the relevant Previous Assessment Year 2008-2009. In other words, it pertains to the income of the Appellant/Assessee between 01.04.2008 and 31.03.2009 which was assessable during the Assessment Year 2009-2010 between 01.04.2009 and 31.03.2010 as per the limitation prescribed under Section 153 of the IT Act as it prevailed then.*

37. *The definition of "Charitable Purpose" as in Section 2(15) of the IT Act is relevant for the grant of Certificate under Section 12A of the IT Act following the procedure under Section 12AA of the IT Act. During the period in dispute, the expression, "Charitable Purpose" was defined in Section 2(15) of the IT Act as follows:-*

"2(15). "charitable purpose" includes relief of the poor, education, medical relief and the advancement of any other object of general public utility."

38. *However, by an amendment to the above definition vide clause (15) of Section 2 by the Finance Act, 2008 with effect from 01.04.2009, the above definition was altered to read as under:-*

> *"2(15). "charitable purpose" includes relief of the poor, education, medical relief and the advancement of any other object of general public utility.*
> ***Provided that*** *the advancement of any other object of general public utility shall not be a charitable purpose, if it involves the carrying on of any activity in the nature of trade, commerce or business or any activity of rendering any service in relation to any trade, commerce or business for a cess or fee or any other consideration irrespective of the nature of use or application or retention of the income from such activity."*

39. *Therefore, the Proviso to definition in Section 2(15) of the IT Act inserted with effect from 01.04.2009 which makes it clear that the advancement of any other object of general public utility shall not be considered as a charitable purpose, if it involves the carrying on of any activity in the nature of trade, commerce or business, or any activity of rendering any service in relation to any trade, commerce or business, for a cess or fee or any other consideration, irrespective of the nature of use or application, or retention, of the income from such activity is not relevant.*

40. *The Tribunal has also referred to the above amendment brought to the definition of "Charitable Purpose" in Section 2(15) of the IT Act. The Tribunal has also referred to Paragraph 180 of the Finance Minister's Budget Speech in Paragraph 8.2 of the Impugned Order wherein it has been stated as follows:-*

> *"180. "Charitable Purpose" includes relief of the poor, education, medical relief and any other object of general public utility. These activities are tax exempt, as they should be. However, some entities carrying on regular trade, commerce or business or providing services in relation to any trade, commerce or business and earning incomes have sought to claim that their purposes would also fall under "Charitable Purpose". Obviously, this was not the intention of Parliament and hence I propose to amend the law to*

exclude the aforesaid cases. Genuine charitable organizations will not in any way be affected." (Emphasis supplied)."

41. *As mentioned above, the Assessment Year in question is 2009-2010. It would relate income earned by the Appellant/Assessee between 01.04.2008 and 31.03.2009. Such income is assessable during the Assessment Year 2009-2010 starting from 01.04.2009 and 31.03.2010.*

42. *Therefore, the amendment to the definition of "Charitable Purpose" which appears to have influenced the Tribunal while coming to a conclusion that the Appellant/Assessee was not entitled to exemption under Section 11(4A) of the IT Act is misplaced. The cardinal principle of law is that any amendment to any Act or provision is prospective unless it is made applicable retrospectively.*

43. *The above amendment which came into force with effect from 01.04.2009 vide clause (15) of Section 2 by the Finance Act, 2008 is relevant only for the income earned during the Previous Assessment Year 2009-2010 assessable during the Assessment Year 2010-2011. Therefore, reference to the above amendment vide Finance Act, 2008 with effect from 01.04.2009 is misplaced and is of no relevance to the facts of the case.*

44. *The question to be answered is whether the exceptions provided in sub-section (4A) to Section 11 of the IT Act is attracted or not?. As mentioned above, to claim exemption under sub-section (1) only if income is derived from the property held in Trust or income in the form of voluntary contributions made with a specific direction that they shall form part of the corpus of the Trust or institution, subject to the condition that such voluntary contributions are invested or deposited in one or more of the forms or modes specified in sub-section (5) maintained specifically for such corpus or the business is incidental to the object of the Trust or institution.*

45. *Sub-section (2), sub-section (3) and sub-section (3A) are to be read along with sub-section (1) to Section 11 of the IT Act.*

46. *A reading of sub-section (1), (2), (3), (3A) and the Explanation to sub-section (1) and sub-section (4A) indicates that although such Section (4A) to Section 11 of the IT Act is uninfluenced by sub-section (1), (2), (3) and (3A) of the IT Act, income of the Trust or an institution can be exempted even if such income is from business incidental to the attainment of the objective of the Trust.*

> ***47.*** *In this case, the main objective of the Appellant/Assessee itself is microfinance i.e., to do lending operation in the microfinance sector to earn commission ranging from 2% to 2.5%. It is not charitable in nature.*
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> ***48.*** *The business carried on by the Appellant/Assessee by lending operation is not incidental to the attainment of the objectives of the Appellant/Assessee as a "Charitable Institution". Rather, it is main business object. Therefore, the Appellant/Assessee cannot claim the benefit of exemption either under Section 11(1) or under Section 11(4A) of the IT Act as held by the Hon'ble Supreme Court in New Noble Educational Society (supra)*
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> ***49.*** *In the present case, the income that is the subject matter of assessment is neither from property nor from contributions to be exempted under Sections 11 & 12 of the IT Act nor from a business of the Trust which is incidental to the object of the Trust.*
>
> ***50.*** *In view of the above discussion, the decisions of the Appellate Tribunal in "Kurinji Social Welfare Society (supra) and "Socio Economic Development Association (supra), Chennai are held irrelevant to the facts of this case. The ruling of the Hon'ble Supreme Court in "Honda Siel Power Products Limited (supra) cannot be applied to the facts of this case. Merely because microfinance has emerged as an effective tool for alleviating poverty in many countries and further impetus was given in setting up such institutions ipso facto would not mean that the Appellant/Assessee was a "Charitable Institution" and income from lending business was incidental for its object."*

7. The Ld. DR argued that the earlier decision of the Hon'ble High Court in the case of Kurinzi Social Welfare Society (supra) has been considered in the above case and therefore, the ratio laid down by the Hon'ble High Court in the above case should be applicable to the assessee's case. Accordingly, the Ld. DR supported the order of the CIT(E).

8. We have heard the parties and perused the material available on record. The short issue arising for our consideration is whether the activity of the assessee in facilitating credit linkage between Self Help Groups and banks,

and earning an incentive from the banks for the said facilitation, falls within the ambit of "relief of the poor" under the main part of the definition of charitable purpose u/s.2(15) of the Act, or whether the same is to be treated as an activity of "general public utility" so as to attract the proviso to the said section.

9. Before adverting to the facts of the present case, it would be useful to briefly notice the nature and purpose of a Self-Help Group. A Self-Help Group is a small, informal association, typically of women belonging to economically weaker sections, who are organised with the primary object of enabling them to save in common and to access credit from the formal banking system, which they would otherwise be unable to approach on their own. This model, known as the SHG-Bank Linkage Programme, was launched by the National Bank for Agriculture and Rural Development (NABARD) in the year 1992, with the backing of the Reserve Bank of India, with the specific object of bringing the unreached poor into the fold of formal banking and of advancing their economic self-reliance. The said programme was conceived as a means of extending institutional credit to persons who, on account of their small and uncertain means, would otherwise remain outside the reach of nationalised banks and dependent on private moneylenders charging exorbitant rates of interest. Organisations working in this space ordinarily form such groups, train the members in savings discipline and group functioning, and thereafter facilitate the sanction of credit by banks to these groups. In its very conception and object, therefore, being a programme introduced by NABARD under the aegis of the Reserve Bank of India for extending formal credit to the poor, the SHG model is a tool for relief of the

poor, and more particularly for the economic upliftment of women belonging to the weaker sections of society.

10. We notice that the objects of the assessee trust, as per the trust deed amended by-laws are directed towards women empowerment, rural development and the upliftment of economically weaker sections, and the predominant activity carried out towards this object is the formation and support of Self Help Groups and facilitation of credit linkage for such groups with banks.

11. We further notice that the assessee does not itself lend any money to the members of the Self-Help Groups, nor does it recover any amount from them. The loans are sanctioned, disbursed and recovered directly by the banks, and the assessee's role is confined to facilitating this linkage, for which it receives an incentive from the banks. We are of the view that an activity of this nature, being squarely directed at enabling the poor to access institutional credit, and thereby to be rescued from dependence on private moneylenders, is an activity which falls within the ambit of "relief of the poor" under the main part of section 2(15) of the Act, and not under the residuary limb of "advancement of any other object of general public utility".

12. We notice that the Hon'ble Madras High Court in CIT vs. M/s.Kurinji Social Welfare Society [TCA No.280 of 2011, dated 18.08.2021] has considered a closely comparable issue, where the assessee therein had itself borrowed funds from nationalised banks and lent the same to Self Help Groups, charging interest as well as a service charge, and the Revenue had contended that such activity amounted to a business of money lending rather

than a charitable activity. The Hon'ble High Court held that the beneficiaries being poor rural women with no means of approaching nationalised banks directly, the activity of extending financial assistance to them through Self Help Groups was an activity of relief to the poor, and that the mere collection of a service charge, without more, could not take away this character. We further notice that the Coordinate Bench of this Tribunal, in Blaze Trust vs. CIT(E) [ITA No.563/Chny/2025, dated 07.04.2026], has considered a fact pattern materially similar to the one before us, where the assessee therein acted as a business correspondent for a bank and earned service charges for facilitating the banking and credit needs of the poor through Self Help Groups. The Coordinate Bench held that a facilitative role of this nature, undertaken in furtherance of the trust's objects of upliftment of the poor, cannot be characterised as an independent business merely because it involves interaction with the banking system, and that such activity falls within the ambit of relief to the poor, so that the proviso to section 2(15) of the Act would have no application.

13. We further notice that in a recent decision in the case of Centre For Rural Development And Education vs CIT(E) [ITA No. ITA No.2819 & 2820/Chny/2026] the coordinate Bench of this Tribunal has considered a closely comparable fact pattern, where the assessee trust was engaged in imparting vocational training to rural women and youth, and thereafter organising them into self help groups and facilitating their credit linkage with banks under a bank-sponsored SHG linkage programme, without itself lending any money or earning any interest income. The Ld. CIT(E) therein had rejected the renewal of registration u/s.12AB and the approval u/s.80G of

the Act, inter alia on the ground that the assessee was carrying on microfinance activity under the garb of a charitable institution. The Coordinate Bench, on facts, found that the assessee therein did not carry on any lending activity of its own, earned no interest income, and maintained no loan portfolio, and that the financial aid received from banks was utilised solely for conducting training programmes for the self-help groups. The Coordinate Bench accordingly held that the activities of the assessee, being directed at the welfare of rural youth and women belonging to poor and backward regions through skill training and facilitation of bank credit, squarely fell within the ambit of "relief for poor" u/s.2(15) of the Act, and set aside the order of the Ld. CIT(E) rejecting registration and approval. We find the facts and the ratio of the said decision to lend further support to the view we have taken above.

14. We notice that the present case stands on a stronger footing than the decisions discussed above, since the assessee herein neither lends any amount to the Self-Help Groups nor collects any charge whatsoever from them, the entire loan transaction being between the bank and the Self Help Group directly, with the assessee receiving only an incentive from the bank for its facilitative role. The Ld. DR has relied on the decision of the Hon'ble Madras High Court in Kalanjiam Development Financial Services vs. ITO(E) [2025] 174 taxmann.com 1108 (Mad.), to contend that the ratio in Kurinji Social Welfare Society (supra) stands distinguished in a subsequent decision of the Jurisdictional High Court on a similar issue of supporting Self Help Groups. We notice, however, that the assessee in Kalanjiam Development Financial Services (supra) was itself a dedicated financial institution in the business of

microfinance, which borrowed funds from banks and advanced loans directly to Self Help Groups on its own account, at a margin which was found to be higher than the rate of interest charged by nationalised banks themselves. We are of the view that the said decision turns on the fact that the assessee therein was itself carrying on the business of lending, at a margin of its own determination, to the Self-Help Groups. This is materially different from the facts of the present case, where the assessee is not a lender at all, does not determine or earn any margin on the credit extended to the Self-Help Groups, and the entire lending and recovery function is carried out directly by the bank. We accordingly hold that the decision in Kalanjiam Development Financial Services (supra) is distinguishable on facts and does not assist the case of the Revenue before us.

15. The Ld. DR has further submitted that the incentive income earned by the assessee from the banks works out to 26% of its total receipts, which exceeds the permissible limit of 20% prescribed under the proviso to section 2(15) of the Act, and that the registration is accordingly liable to be denied on this ground. We are unable to accept this submission. We have already held that the activity of the assessee falls within the ambit of relief to the poor under the main part of section 2(15) of the Act, and the proviso to the said section, along with the percentage threshold prescribed therein, is by its own terms confined to the residuary limb of advancement of any other object of general public utility. In such a scenario, the question of testing the said income against the threshold prescribed in the proviso does not arise at all, since the proviso itself stands uncalled for once the activity is found to be one of relief to the poor.

16. We further notice that the Coordinate Bench, in the recent decision referred to in paragraph 12 above, has also laid down the principle governing the scope of enquiry at the stage of registration, which supports the view we have taken. The Coordinate Bench held that the satisfaction required of the CIT(E) u/s.12AB of the Act is confined to the objects of the trust, the genuineness of its activities, and its compliance with other laws material to achieving its objects. The CIT(E) cannot enlarge this enquiry by importing considerations which the Act has placed elsewhere, and the expression "genuineness of activities" does not permit an examination, at the registration stage, of whether the conditions for exemption u/ss.11 to 13 of the Act are satisfied in a particular year. The Coordinate Bench drew a clear distinction between registration, which is only the gateway, and exemption, which is to be decided in the assessment of the relevant year. Relying on the decision of the **Hon'ble Supreme Court in ACIT (Exemptions) vs. Ahmedabad Urban Development Authority [(2022) 449 ITR 1 (SC)],** it was held that whether receipts from commercial activities exceed the statutory limit is a matter to be examined year to year, with the consequence operating on the exemption for that year. In the present case, the CIT(E) has rejected the applications on the ground that the incentive income exceeds the limit prescribed in the proviso to section 2(15) of the Act and has not recorded any finding that the objects of the assessee are not charitable or that its activities are not genuine. We are of the view that, even if the incentive income were to be tested against the said limit, that would at best be a matter for the assessment of the relevant year and cannot be a ground to deny registration u/s.12AB and approval u/s.80G of the Act. We also notice from the financial

statements of the assessee for the last three years, placed on record, that the receipts of the assessee are applied towards its charitable objects. The summary of the income and expenditure account for the three years is as under:

CENTRE FOR SOCIAL DEVELOPMENT
THIRUNAINARKURICHI, KANYAKUMARI DISTRICT
CONSOLIDATED INCOME AND EXPENDITURE ACCOUNT FOR THE YEAR ENDED 31-03-2023

EXPENDITURE	RS. P.	RS. P.	INCOME	RS. P.	RS. P.
TO SCP-THUMBAVILAI PROJECT:			BY GRANT RECEIVED:		
As per Schedule		7,40,356.41	TANSACS, Chennai	2127359.00	
			DST-NCSTC , New Delhi		
" TANSACS - CORE GROUPS:			- For Folk Project	2500000.00	46,27,359.00
As per Schedule		21,68,852.89			
			" OTHER RECEIPTS:		
" GENERAL ACCOUNT:			Subscription	70.00	
As per Schedule		10,33,647.35	SHG Promotions activitie	1075471.00	
			Donation	75000.00	
" KVIC- R AND D PROJECT:			other Income	1503.30	11,52,044.30
Test Fees		5,900.00			
			" BANK INTEREST:		
" FC ACCOUNT:			DST- Thumbavilai Projec	72462.00	
Bank Charges		17.70	TANSACS Project	3853.00	
			General A/c	3542.25	
" APAC-CORE PROJECT:			FC Account	237.00	
Bank Charges		59.00	APAC-Core Groups	464.53	
			AICP-Mahendrapuram	49.00	
" NMDFC-Minority Loan A/c			DST-NCSTC Project	111.00	
Administrative expense		1,240.50	KVIC- R and D Project	259..85	80,978.63
" SIAAP Programme:			" Grant receivables:		
Administrative expense		3,192.50	(2022 - 2023)		
			SC-Agri Project		16,104.00
" OTHERS:					
Administrative expense		12,441.86	" Grant receivables written off:		
			DST-Perumkulam Proj	19.00	
" SC-AGRI PROJECT:			STD Project	75.00	94.00
Interest repaid to DST		16,193.00			

" Grant Receivables written off:					
NMDFC-MACCS Project	320705.00				
TANSACS- Old Project	96784.00				
Other Receivables	290100.00				
NEO Project	63099.00				
CAPART Account	254000.00	10,24,688.00			
" Depreciation		8,52,064.00			
" Excess of Income over Expenditure		17,926.72			
TOTAL		58,76,579.93	TOTAL		58,76,579.93

NAGERCOIL
06-06-2023

For Antony & CO
Chartered Accountant
Firm Reg.No.013608s

ANTONY EDGAR
Membership No.213242
UDIN:23213242BGVSRQ9403

CENTRE FOR SOCIAL DEVELOPMENT
THIRUNAINARKURICHI, KANYAKUMARI DISTRICT
CONSOLIDATED INCOME AND EXPENDITURE ACCOUNT FOR THE YEAR ENDED 31-03-2024

EXPENDITURE	RS. P.	RS. P.	INCOME	RS. P.	RS. P.
TO SCP-THUMBAVILAI PROJECT: As per Schedule		7,34,300.00	BY GRANT RECEIVED: KATE MALONE, OLIVIA, (	208449.27	
			KVIC, Madurai	62962.00	
" TANSACS - CORE GROUPS: As per Schedule		24,40,489.00	TANSACS, Chennai	2422533.00	26,93,944.27
			" OTHER RECEIPTS:		
" GENERAL ACCOUNT: As per Schedule		10,74,934.53	Subscription	900.00	
			SHG Promotions activitie	1213780.00	
" DST-NCSTC - Folk Project: As per Schedule		31,28,670.00	Donation	7801.00	12,22,481.00
			" BANK INTEREST:		
" KVIC- R AND D PROJECT: As per Schedule		69,977.00	General A/c	1465.00	
			FC Account	442.00	
			AICP-Mahendrapuram F	5.00	
" FC ACCOUNT: As per Schedule		2,08,141.60	SC-Agri Project	4010.00	
			APAC-Core Groups	23.00	5,945.00
" APAC-CORE PROJECT: Bank Charges		118.00	" Grant receivables:		
			DST-NCSTC-Folk Project	628670.00	
" SC-AGRI PROJECT: Bank Charges		2.13	SCP-Thumbavilai Project	734263.00	13,62,933.00
			" Grant receivables written off:		
" Grant Receivables written off:			DST-Tribal Mothiramalai		0.40
DSIR Project	0.65				
DST-NCSTC-Folk Project	1.00	1.65	" Expenditure over Income		31,04,392.24
" Depreciation		7,33,062.00			
TOTAL		83,89,695.91	TOTAL		83,89,695.91

TRIVANDRUM
12-06-2024

For Antony & CO
Chartered Accountant
Firm Reg.No.013608s

ANTONY EDGAR
Membership No.213242
UDIN: 24213242BKCRAO1056

CENTRE FOR SOCIAL DEVELOPMENT
THIRUNAINARKURICHI, KANYAKUMARI DISTRICT
CONSOLIDATED INCOME AND EXPENDITURE ACCOUNT FOR THE YEAR ENDED 31-03-2025

EXPENDITURE	RS. P.	RS. P.	INCOME	RS. P.	RS. P.
TO TANSACS - CORE GROUPS: As per Schedule		23,92,029.00	BY GRANT RECEIVED: TANSACS, Chennai		25,96,231.00
" GENERAL ACCOUNT: As per Schedule		10,47,581.11	" OTHER RECEIPTS: Subscription	700.00	
			SHG Promotions activitie	1057311.00	
" FC ACCOUNT: As per Schedule		1,054.00	Other Income	1105.00	10,59,116.00
			" BANK INTEREST:		
" APAC-CORE PROJECT: As per Schedule		118.00	General A/c	1037.00	
			FC Account	230.04	
			AICP Project	59.00	
" CAPART PROJECT: Administrative expenses		5,266.00	SC-Agri Project	229.00	
			APAC-Core Groups	24.00	
			KVIC Project	114.00	1,693.04
" DST-Perunkulam Project: Administrative expenses		132.85	" Excess of Expenditure over income		4,17,153.52
" KVIC - R and D Training: Administrative expenses		0.60			
" Depreciation		6,28,012.00			
TOTAL		40,74,193.56	TOTAL		40,74,193.56

NAGERCOIL
03-06-2025

For Antony & CO
Chartered Accountant
Firm Reg.No.013608s

ANTONY EDGAR
Membership No.213242
UDIN:25213242BMIJAB6582

17. From the above, we notice that in each of the three years, the incentive income and the other receipts of the assessee have been spent entirely on its charitable activities. We are of the view that this further shows that the incentive received from the banks is not driven by any profit motive but is a source of funds for carrying on the charitable activities of the assessee. In view of the above discussion, we hold that the activities of the assessee fall within the ambit of "relief of the poor" u/s.2(15) of the Act, and the CIT(E) was not justified in denying the registration u/s.12AB by invoking the proviso

to section 2(15) of the Act. We accordingly direct the CIT(E) to grant the registration u/s.12AB to the assessee.

18. The appeal in ITA 952/Chny/2026 pertains to rejection of approval under section 80G of the Act. We notice from the order of the CIT(E) that the approval is rejected for the same reason as stated in the order rejecting the registration under section 12AB of the Act. We have already held that the CIT(E) is not correct in rejecting the registration under section 12AB of the Act and that the activities of the trust would fall withing "relief to poor" under section 2(15) of the Act thereby testing the income under the proviso is not warranted. The Ld. CIT(E) is thus directed to allow the approval under section 80G of the Act to the assessee, as sought for in the applications.

19. In the case of the assessees in **ITA Nos.2616 & 2618/Chny/2026** the registration under section 12AB was rejected for the same reason that the assessees are engaged in commercial activity of loan facilitation to Self-Help Groups where the receipts are more than 90% which is in violation of the proviso to section 2(15) of the Act. For the same assessees in **ITA Nos.2617 & 2618/Chny/2026** the approval under section 80G is also rejected for the same reason. We have while considering the identical issue in the case of **ITA Nos.952 & 953/Chny/2026** have already held that the CIT(E) is not correct in rejecting the registration under section 12AB & approval under section 80G of the Act and that the activities of the trust would fall within "relief to poor" under section 2(15) of the Act thereby testing the income under the proviso is not warranted. In our considered view, in the present assessees' case also the said decision is applicable mutatis mutandis considering the facts and the reasons for rejection are identical. We thus direct the Ld. CIT(E) to allow the

registration under section 12AB and the approval under section 80G of the Act to the assessee, as sought for in the applications.

20. In the result, all the six appeals filed by all the assessees are allowed.

Order pronounced on 14th day of October, 2026 at Chennai.

Sd/-	**Sd/-**
(यस यस विश्वनेत्र रवि)	(पदमावती यस)
(SS Viswanethra Ravi)	**(Padmavathy.S)**
न्यायिक सदस्य / Judicial Member	**लेखा सदस्य /Accountant Member**

चेन्नई/Chennai, दिनांक/Dated*: 14th October, 2026.*
EDN, Sr. P.S

आदेश की प्रतिलिपि अग्रेषित/**Copy to:**

1. अपीलार्थी/Appellant
2. प्रत्यर्थी/Respondent
3. आयकर आयुक्त/CIT, Chennai/Madurai/Coimbatore/Salem
4. विभागीय प्रतिनिधि/DR
5. गार्ड फाईल/GF