INCOME TAX APPELLATE TRIBUNAL,
DELHI BENCHES, NEW DELHI

BENCH: G

BEFORE SHRI ANUBHAV SHARMA, JUDICIAL MEMBER
AND SHRI MANISH AGARWAL, ACCOUNTANT MEMBER

ITA 4388/DEL/2026 निर्धारणवर्ष/AssessmentYear:**2026-2027**)		
SAHULAT MICROFINANCE SOCIETY E-89, 403, HARI KOTHI LANE, ABUL FAZAL ENCLAVE 1,JAMIA NAGAR, OKHLA, DELHI-110025, DELHI	**Vs.**	**CIT(EXEMPTION) DELHI** CIVIC CENTRE, MINTO ROAD, MINTO ROAD, NEW DELHI, NEW DELHI, DELHI DELHI-110002, DELHI
अपीलार्थी**Appellant**		प्रत्यर्थी **Respondent**
Permanent Account Number of Assessee**:**		**AAJTS8499J**
अपीलार्थीद्वारा/Appellant represented by:		**CA Saiyum Khan**
प्रत्यर्थीद्वारा/Respondentrepresented by:		**Shri Virender Singh, CIT (DR)**

सुनवाईकीतारीख/Date of conclusion of hearing:	**23.07.2026**
घोषणाकीतारीख/Date of pronouncement:	**07.10.2026**

आदेश / ORDER

PER SHRI ANUBHAV SHARMA, JUDICIAL MEMBER:

This appeal is preferred by the Assessee against the order dated 25.03.2026 of the Commissioner of Income-tax, Exemption, Delhi

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(hereinafter referred as 'Prescribed Authority') against the rejection of renewal of Application u/s 12AB(1)(b)(ii) of the Act, for AY: 2026-27.

2. Heard and perused the records. The Appellant is a society registered on September 23, 2010, and has claimed to be engaged in charitable activities in furtherance of its objects, primarily involving the facilitation and promotion of microfinance institutions, providing legal and capacity-building support, and undertaking knowledge creation initiatives. The Appellant was granted registration under Section 12A of the Income-tax Act, 1961 on November 25, 2011. It subsequently migrated to the new registration regime under Section 12AB. The Ld. CIT(E), rejected the Appellant's application for renewal of registration under Section 12A read with Section 12AB of the Act for which assessee is in appeal and has raised following grounds:

> *"1. That on the facts and in the circumstances of the case and in law, the impugned order passed by the Ld. CIT(E) rejecting the application for renewal of registration under Section 12A of the Act is arbitrary, unjust, contrary to law and facts on record, and is therefore liable to be quashed.*
>
> *2. That the Ld. CIT(E) has grossly erred in passing the impugned order without proper application of mind and in complete disregard of the detailed submissions, voluminous documentary evidence, and legal precedents filed by the Appellant, thereby violating the principles of natural justice.*
>
> *3. That the Ld. CIT(E) has erred in law and on facts in treating the voluntary contributions received by the Appellant as 'anonymous donations' under Section 115BBC of the Act, merely on the pretext of incomplete addresses of some donors. He failed to appreciate that the Appellant had duly maintained records of the names, PANs, and available addresses of the donors, which is sufficient compliance and does not render the donations "anonymous" as per the strict definition of the Act.*

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4. *That, without prejudice to the above, the Ld. CIT(E) has fundamentally erred in law by holding that an alleged non-payment of tax under Section 115BBC constitutes a "specified violation" for questioning the genuineness of activities. He has failed to appreciate that Section 115BBC is a specific taxing provision to be invoked during assessment proceedings and is not a condition for the grant or rejection of registration.*

5. *That the finding of the Ld. CIT(E) that the Appellant failed to furnish "tangible evidence" of its activities is perverse and contrary to the material on record, as he completely ignored the extensive, verifiable proof of charitable work submitted by the Appellant in direct furtherance of its objects.*

6. *That the Ld. CIT(E) has erred in drawing an adverse inference based on the high percentage of salary expenditure, failing to appreciate that for a service-oriented organization, expenditure on qualified human resources is the primary and most essential application of its funds, and no basis has been provided to hold such expenditure as unreasonable.*

7. *That the Ld. CIT(E) has acted on prejudice and considered wholly irrelevant and extraneous factors by making adverse observations on the religious composition of the Appellant's workforce. Such a consideration is not contemplated in the Income-tax Act and vitiates the entire order for being based on bias.*

8. *That the Ld. CIT(E) has erred in law by applying the principle of 'guilt by association' to reject the Appellant's application, wrongly drawing adverse inferences from its association with other entities without bringing on record a single piece of evidence to show that the Appellant itself had undertaken any non-genuine activity.*

9. *That the Ld. CIT(E) further erred in relying on extraneous and prejudicial information, such as an alleged NIA raid and the sub-judice registration status of another entity, without any adverse material on record against the Appellant, demonstrating a predetermined mindset to reject the application.*

10. *That the Ld. CIT(E) failed to appreciate that the Appellant has been duly registered under Section 12A since 2010 and has been complying with all statutory requirements, and its activities have been accepted as genuine in all preceding years, making the current rejection arbitrary.*

11. *The Appellant craves leave to add, alter, amend or withdraw any of the grounds of appeal at or before the time of hearing."*

3. Ld. AR has submitted that the Ld. CIT(E) has demonstrated a manifest failure to appreciate and engage with the material evidence on record. Ld. AR submitted that the Appellant had filed detailed written submissions addressing every query raised by the Ld. CIT(E), dated 11-12-2025 and 19-03-2026 and these submissions contained factual

explanations, legal arguments, and a point-by-point rebuttal of the potential adverse inferences. The impugned order, however, makes no reference to these submissions, nor does it contain any reasoning to counter the specific arguments made by the Appellant. He allegedly ignored overwhelming evidence of genuine activities and completely disregards the voluminous documentary proof of the Appellant's extensive and genuine charitable work. Allegedly ld. CIT(E) overlooked an unblemished history and failed to consider the Appellant's long-standing registration since 2011 and its recent re-registration under the new regime in 2021, which confirms its credentials.

3.1 It was contended that the conclusion that donations were 'anonymous' is factually baseless and contrary to the detailed donor records furnished by the Appellant. Ld. AR contended that ld. CIT(E) acted beyond his statutory mandate under Section 12AB by adjudicating on a potential tax liability under Section115BBC, an issue reserved for the Assessing Officer. He wrongly applied the principle of 'guilt by association', holding the Appellant liable for the alleged actions of other entities without any evidence against the Appellant itself. It was contended that ld. CIT(E) allowed his decision to be influenced by legally irrelevant

and sub-judice matters, which is contrary to the principles of a fair quasi-judicial process.

3.2 It was contended that the Ld. CIT(E) has acted beyond his jurisdiction by conflating the distinct statutory processes of 'Registration' under Section 12AB and 'Assessment/Tax Computation' under Chapter XIV of the Act. The Ld. CIT(E) has made a presumptive determination of a potential tax liability under Section 115BBC and has used this presumption as a basis to deny the renewal of registration, which is a gross jurisdictional overreach. The Ld. CIT(E), in his order, concluded that certain donations were 'anonymous as per Section 115BBC due to allegedly incomplete addresses. He then made a leap of logic to hold that the non-payment of tax on such donations amounted to a violation of the Act, which in turn rendered the Appellant's activities non-genuine, thereby justifying the rejection of the registration. Scope of Inquiry under Section 12AB: The power of the Ld. CIT(E) is circumscribed by the provisions of Section 12AB. At the stage of granting registration, he is required to satisfy himself about the "objects" and the "genuineness of its activities". The term 'genuineness of activities' pertains to whether the activities are actually being carried out in furtherance of the stated charitable objects, and not whether a potential tax liability might arise in the future. Section 115BBC

is a specific and self-contained taxing provision. The consequence prescribed by Section 115BBC is the levy of tax at a flat rate of 30%. It does not prescribe the consequence of denial or cancellation of registration. Had the legislature intended for the receipt of anonymous donations to be a ground for rejecting registration, it would have been explicitly included in the definition of "specified violation" under the Explanation to Section 12AB(4).The absence of such a provision is a clear indicator of legislative intent.

3.3 Ld. AR submitted that the principle that the scope of inquiry at the registration stage is limited and distinct from the assessment stage is well-established by numerous judicial pronouncements. He relied the Hon'ble Supreme Court decision in Ananda Social & Educational Trust vs. CIT (2020) and other decision for the same proposition.

3.4 Ld. AR contended that the Appellant has duly maintained and furnished before the Department the donor details available in its records, including names, addresses, and PAN/Aadhaar particulars wherever available and reference was made to Pages 155-246 of PB. He has relied decision in ITO vs. Aishwarya Foundation (ITA No. 103/Pat/2020), to contend that Bench has held that where the assessee has maintained

records of the name and address of the donors, the donations cannot be treated as anonymous.

3.5 According to ld. AR, Nagpur Bench, in the case of Social Educational and Welfare Association vs. CIT(E) (ITA Nos. 71& 72/NAG/2025), has held that a trust is benefiting a particular religious community cannot be a ground for rejection of registration unless it is established that the trust violates specific statutory provisions, such as Section 13(1)(b) of the Act.

3.6 Ld. AR contended that the Ld. CIT(E)'s reasoning is predicated on a legally untenable premise of assessee being in association with tainted entities. He contended that it is a settled principle of law that every legal entity is distinct and must be judged based on its own conduct. The alleged actions or character of one entity cannot be automatically imputed to another merely because of a common link or association, unless there is concrete evidence of collusion, sham transactions, or that one entity is merely a conduit for the other. The impugned order is devoid of a single piece of direct, cogent, or corroborative evidence to show that the Appellant itself has undertaken any non-genuine activity, violated any provision of the Act, or acted in a manner inconsistent with its charitable objects. The entire case against the Appellant is built on a foundation of

suspicion arising from the alleged actions of third parties. The principle against vicarious liability in such matters is well-recognized. He relied decision in the case of Ram Saran Das Kishori Lal Charitable Trust vs CIT(E) [ITAT Delhi, Order dated 12.11.2025], to submit that a trust cannot be held vicariously liable for the alleged criminal acts committed by doctors or employees using its facilities, especially when the trust or its trustees were not charged. Regarding the Alleged NIA Raid it was contended there is not a shred of evidence on record to suggest that the Appellant was the subject of the raid, was implicated in the investigation, or that any adverse findings were made against the Appellant.

4. We have given thoughtful consideration to the material on record and the submissions. Based on decisions cited, there is no doubt to the proposition that, at the stage of consideration of the application for registration, the learned prescribed authority is bound to satisfy himself that the objects of the trust are genuine and that its activities are in furtherance of the objects of the trust, that is equally genuine. The scope of the inquiries thus have to be limited to examining the aforesaid two preconditions for grant of registration.

5. Now, in the case of the assessee before us, we find that the assessee is a registered society, and the objectives of the society, as framed and as they exist, are certainly of the nature that is generally laid down for philanthropic and charitable activities, including service to the society and address issues of national integrity.

6. We find that what the primarily learned prescribed authority has examined is the fact that in financial years 2022-23, 2023-24, and 2024-25, the assessee has received huge amounts of donation. Out of this, a majority of the funds are received in cash, and the assessee was unable to satisfy the prescribed authority by giving the complete address or PAN of the donors. Thus, according to the Ld. Prescribed Authority, these donations were suspicious, being anonymous donations which have been made taxable under Section 115BBC of the Act. As for completeness, the relevant findings of the learned Prescribed Authority are reproduced below.

2. The facts of the case are discussed as under, based on the submission filed by the applicant and in light of provisions of Income Tax Act: -

***2.2 Source of donation**: - The applicant during last three years has received almost all of its receipts as donation. The data for last three years is tabulated as under.*

	FY: 2022-23	*FY 2023-24*	*FY 2024-25*
Amount of donation received in a year	*1,32,62,069*	*1,09,29,708*	*1,11,13,731*
Total receipts in a year	*1,33,63,709*	*1,09,35,792*	*1,11,14,081*
Percentage of donation to total receipts	*99.24%*	*99.94%*	*99.99%*

2.2.1 Considering that almost of all of its receipts are from donation only, the list of donors provided by the applicant vide reply dated 30.12.2025 is analyzed. After going through the same it is found that all of its donors are individuals and for most of them only

district/city/state name is given as address. For a few donors, complete address and/or PAN is also given. Thus, identity of most of its donors is not revealed. Such donors are anonymous as described in section 115BBC of the Act. Relevant part of the section is reproduced as under.

> *"For the purposes of this section, "anonymous donation" means any voluntary contribution referred to in sub-clause (iia) of clause (24) of section 2, where a person receiving such contribution does not maintain a record of the identity indicating the name and address of the person making such contribution and such other particulars as may be prescribed."*

2.2.3 Such anonymous donations attract tax as per section 115BBC of the Act. However, the applicant has not offered tax on this amount. Thus, the applicant is violating the provisions of Income Tax Act, which makes its activities non genuine. Such violation is in contradiction to the condition 10(q) of registration granted u/s 12AB vide Form 10AC dated 23.09.2021 which in turn is a specified violation as per explanation e(ii) to section 12AB(4) of the Act. The said explanation is reproduced as under: -

> *"(e) any activity being carried out by the trust or institution,—*
> *(i)..*
> *(ii) is not being carried out in accordance with all or any of the conditions subject to which it was registered;"*

***2.3 Use of Trust Funds**: - The applicant is a charitable trust and has claimed to be actively facilitating and promoting the development of microfinance institutions under cooperative format by providing legal and documentation support in their formation, training research and guidance support. It further claimed to have undertaken extensive capacity building and knowledge creation initiatives.*

Despite making these claims the applicant has not provided any tangible evidence in support of its claimed activities. It has failed to show as what exactly it has done for which it has spent crore of rupees. The activities of the applicant are thus not appeared to be genuine.

As per financials, the applicant has incurred main expense on salary and allowance. In FY 2024-25, it has incurred a total expense of Rs. 1,09,64,368, more than 72% of this was spent on salary & allowances. It is further seen from its reply filed on 20.03.2026 that almost all of its employees belong to one particular community and its workforce is not inclusive. It has failed to show on what basis employees are selected, what are their qualification. Such huge expense on salary further hints that public money has been misused and diverted for other than charitable work.

2.5 Relation with Human Welfare Foundation and Jammat-e-Islami Hind

The applicant is working in partnership with Human Welfare Foundation(HWF) as visible on website https://vision2026.org.in/. The registration of HWF under section 12A of IT Act was not renewed vide a March 2026 order of this office, as it was closely associated with Jammat-e-Islaami and because of multiple other violations of IT Act. Jammat-e-Islaami Hind(JEIH) is itself a separate organisation which was earlier registered under section 12A of IT Act. Its registration was also cancelled on 31.03.2023, as its activities were not found genuine. Although the said order was set aside by Hon'ble ITAT, but only on technical ground and merit of the case was not questioned. The same is under litigation before Hon'ble Delhi High Court.

2.5.1 It is further found that there are multiple office bearers who are common in all three organisations, tabulated as under:

Sr. No.	*Name*	*Designation in Human Welfare Foundation*	*Designation in Jammat-e-Islaami*	*Designation in Sahulat Microfinance Society*
1.	*T. Arif Ali*	*Vice Chairman*	*Vide President*	*Office Bearer*
2.	*Mohd. Jafar*	*Treasure*	*Vice President*	*Office Bearer*

2.5.2 The table shows that office bearers of applicant are same as of JEIH and Human Welfare Foundation. As JEIH and HWF are not found to be doing genuine activities, credibility of their office bearers is tainted and in turn genuineness of applicant is not proved. HWF is so closely associated with applicant that both of these are working from the same address E-89, 4th Floor Hari Kothi Lane, AFE, Jamia Nagar, Okhla, New Delhi – 110025.

2.5.3 Further as available in public domain JEIH was banned thrice in 1952, 1975 and 1992, owing to its anti-national activities. In fact National Investigative Agency(NIA) raided the office of HWF and applicant trust(E-89, 4th Floor, Hari Kothi Lane, Abu Fazal Enclave, Jamia Nagar, New delhi) on October 28,2020 in connection with collection of funds(domestically/abroad), suspected to be utilized in secessionist and terror activities in J&K. NIA had raided office of CEO and treasurer of HWF and Noufal PK(CEO, HWF) & Mohd Jafar(Treasurer, HWF) were also detained for interrogation.

3. In view of the above discussions, intention and activities of the applicant are not found to be genuine and it is found to be actively restricting people from other than one religious community from taking benefits. The applicant has thus committed specified violations as discussed supra in detail. Accordingly, its application for registration u/s 12A is hereby rejected."

7. Thus the primary issue before us is whether, at this stage, the learned Prescribed authority could have examined the source of donations especially in the context of Section 115BBC.

8. We are of the considered view that, indeed, the scope of examination of the issues at the stage of grant of registration is limited. However, when the question is of examining the genuineness of activities, mere recitals of the activities or their performance in a token manner and in a camouflaged way cannot be considered to be a genuine activity. If otherwise, the circumstances giving rise to the establishment of the entity, its operations, and its management appear to be directed towards not for the general good

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of the beneficiaries but for some dubitable activities under the banner of society's name and pretentious objectives enshrined in the articles of association.

9. We are of the considered view that enquiry into genuineness of activities is not just a superfluous examination of document of the constitution of the entity claiming registration but an effort to examine whether the benefit granted under the Act, under Section 11 and 12 of the Act, is required to be extended to such entity for the benefit of the State, as the penultimate beneficiary of the charitable activities provided by the said entity is the State which, through exercise of its powers under the Act providing recognition and granting registration to that entity, suffers a revenue loss, so that the primary functions of the welfare state are carried on by these entities too.

10. Thus to our mind, it is not just that the entity has been able to arrange funds on its own, which otherwise were scarce for the State, justifies grant of registration but the genuineness of activity should be reflected in the manner in which the funds are also arranged. The Robin Hood Principle and redistributive justice, are not the foundation for grant of registration and to examine the genuineness of activity. These provisions of grant of registration and approval under Section 12AB or Section 80G of the Act

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are not State's policies to address systemic inequalities, reduce poverty, and promote social justice by ensuring a more equitable distribution of resources gathered by surreptitious means and in clandestine manners. Anonymous donations should be justified on some principles of prudence, human values and integrity of individuals known to law.

11. Thus, we are of the considered view that accepting the assertion of the assessee that at this stage of examination of application for registration, the source of donations or their anonymity cannot be examined, because that would be a stage later when the question of examination of claim of exemption has to be determined, would be frustrating the purpose of inquiry. Provisional registration once granted automatically on the basis of previous registration under the old regime does not give a vested right to get a registration or its renewal. The prescribed authority is very much bound under law to examine the genuineness of charitable activities, examining the modalities of financing the same while granting registration or its renewal. If the source is found to be tainted or the money is proceeds of a crime or otherwise arranged by way of money laundering, that would certainly give the prescribed authority opportunity to allege that so-called charitable activities are not genuine. Not because they are not being

performed, but because they do more harm to interest of State. Then, temporary and intermittent good of its citizens.

12. In the case before us we have examined the evidence of the assessee with regard to donations available at page numbers 155 to 246 of the paper book. At page 155 onwards till page 181, there is a list of 1315 donors for FY 2022-23. Then from page 182 onward till page 219, there is a list of 1839 donors for FY 2023-24 and page 220 onward till page 246 list of 1459 donors for FY 2024-25 has been provided.

13. When we consider these list of donors for 3 financials years we find that as with regard to Financial Year 2022-23 for a total of 1315 donors little less than for equal 62 assesse was able to provide PAN of the donors and around 73 donations were only through some banking mode. As for FY: 2023-24 of the total donors named 1839, PAN of 93 persons were provided and only 161 persons had given donations from some banking mode. Coming to FY: 2024-25 after total donors named 1459, PAN of none of the donors was provided and all the donations are shown to be in cash.

14. As we appreciate the address of the donors we find that for FY: 2024-25 of the donations are shown to be a various distinct places in the state of Kerala with a very few from other parts of the country. Similarly, in FY: 2023-24 the

names of the address of the donor are scattered throughout the country and primarily all distinct places of Kerala and so is the case for FY: 2022-23.

14.1 It can be seen that the donations are primarily received in cash by a society registered in Delhi and operating from Delhi, but the donations are shown to be received in cash from distinct places without justifying how and by which intermediary, like official of assessee, the cash were collected and handled.

15. Thus, these circumstances, to our mind makes it questionable as to if the donations as accounted in the books are actual donations coming out of some value based contribution of individuals towards the objects of the society or the donations are merely camouflaged and attributed to individuals through society, and locations of donors is difficult for the tax authorities and thereby the donations not only are rendered anonymous, but appear to be outcome of some clandestine and surreptitious activities.

16. In the aforesaid circumstances, the plea of the assesse that ld. CIT(E) has referred to extraneous information about the assesse being tagged with some notorious institutions, allegedly engaged in anti-national activities, becomes significant and we are of the considered view when the issue of genuineness of activity of nature is to be examined such information about the management and control of the assesse being in the hands of persons associated with tainted

organizations gives vital lead to examine the genuineness of the activity, in intent and not just paper and at the cost of repetition, we observe that the genuineness of activity, is not merely actual performance and benefit to some persons but genuineness has to be examined with larger interest of society and the State, which seems to be not the case here.

17. The reliance on principle of consistency is not applicable to cases like that of assesse where assesse seeks renewal of registration and ld. prescribed authority is rightly evaluating financials of the immediately past three financial years and questions the genuineness of the activity on the basis of source of the funds for conducting activities then each application for renewal is an independent one and on the basis of any principle of consistency an assesse cannot claim a benefit as such.

18. We are of the considered view that ld. CIT(E) has though referred to presumptive determination of tax liability u/s 115BBE of the Act and the provision specified violation enshrined in Explanation 2 to Section 12AB(4), which in ordinary circumstances would be beyond the scope of inquiry for the purpose of renewal of registration or grant of approval u/s 12AB and 80G respectively, yet when the evidence is so eminent to show that the funds being infused for said activity are not sourced from genuine individuals but more likely sourced from tainted money, then certainly these provision of the Act

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expand the scope of enquiry and consider that if ultimately exemption u/s 11 or 12 is to be denied or registration already granted deserves to be canceled, then certainly claim of approval or registration at the first instance has to be factually satisfied and the burden is on the assesse while seeking renewal of application to dispel all the suspicious circumstances which have a bearing on the mind of ld. CIT(E) questioning the genuineness of activity.

19. At page No. 25-41 of PB assessee has provided audited financial statement for FY: 2022-23 to 2024-25 and at page No. 46-144 assessee has provided copies of annual activity reports for the preceding financial years and when we go across them we find that certainly there are evidence of some activities being conducted as per the objectives of the society. This indicate that primarily the whole endeavor of this assesse is promotion of interest free credit cooperative societies for member of a particular religious community. The expenditure have not been correlated to charitable activity in a manner that would indicate that the funds received by way of anonymous donations have been raised for the charitable activities enshrined in the Bye Laws and benefitting all segments of the society. Thus, the primary onus of the assesse that its activities are genuine in nature and are intended for diversified community benefit is not discharged and thus, for the aforesaid reasons we find that the conclusion drawn by ld. CIT(E) require no interference and the application for registration has been rightly rejected.

20. Thus, the ground raised have not substance and the appeal is accordingly, **dismissed**.

Order pronounced in the open court on 07.10.2026

Sd/-	Sd/-
MANISH AGARWAL	**ANUBHAV SHARMA**
ACCOUNTANT MEMBER	**JUDICIAL MEMBER**

Delhi
Dated: 07.10.2026
Rohit, Sr. PS

Copy forwarded to:

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

ASSISTANT REGISTRAR

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