IN THE INCOME TAX APPELLATE TRIBUNAL
DELHI BENCH, 'SMC': NEW DELHI

BEFORE SHRI C.N. PRASAD, JUDICIAL MEMBER

ITA No.7788/Del/2025
Assessment Year 2021-22

Ganna Vikas Parishad **Deoband Road,** **Nanauta,** **PAN No.AAALG0113G**	**Vs**	**Assessment Unit Income Tax Department**
Assessee		Respondent

Assessee	Sh. J.N. Shukla, Advocate (Through VC)
Respondent	Sh. Manoj Kumar, Sr. DR

Date of Hearing	**13.01.2026**
Date of Pronouncement	**25.02.2026**

ORDER

PER C.N. PRASAD, JM,

This appeal is filed by the assessee against the order of the CIT(A)/NFAC dated 30.10.2025 for the A.Y. 2021-22. The assessee in its appeal raised the following ground :-

> *1. That the Ld. CIT(A) (NFAC DELHI) has committed manifest error of law by rejecting the first appeal of the appellant without appreciating facts and circumstances of the case of the appellant.*
> *2. That the appeal filed by the assessee against the order of CIT (A) (NFAC DELHI) dated 30-10-2025 in which the disallowances made by the LD AO in respect of claim of deduction u/s SOP for commission and interest earned by the assessee were upheld and the appeal of the assessee were dismissed.*

3. That the appellant is a cane development council constituted by cane commissioner, u/s 5 of sugarcane (regulation of supply and purchase) act 1953. The assessee council has been constituted to perform the functions as laid down in section 6 of the act. The fund of the council consists of grants if any made by the indian sugarcane committee, grants if any made by the state government or central government and contribution in the form of commission being cess made by the sugar factories and cane growers. The assessee has filed the return of income and claiming deduction 80 P of the act which was denied by the assessing officer.

4. That the assessee preferred an appeal before the CIT(A) but did not find favour with him. The CIT(A) rejected the claim of assessee u/s 80P.

5. That the receipts of the assessee cannot be treated as income u/s 2(24) of the act as it was merely a grant from the government and the commission for the sugar mill for specific purpose.

6. That the Ld CIT(A) did not appreciate the effect statutory provision of UP sugarcane (Regulation of supply and purchase) Act 1953 and the rules made there under the receiving are not income u/s 2(24) of the IT Act. In accordance to these provisions total receiving cannot be treated as "income"

7. That the Ld CIT (A) did not appreciate that as per the and the rules made there under, it is mandatory on the assessee to utilize the entire amount of contribution in the form of commission received from sugarmill and cooperative cane growers society and "grants" received from state government and central sugarcane committees for specific purpose being "construction of road" and "other development work" in the "assigned area", the entire receiving cannot be treated as income u/s 2 (24) of IT Act.

8. That the Ld CIT(A) did not appreciate that appellant has received "contribution in the form of commission" and "grants" in accordance with the Act and rules made by state government to be utilized only for "specific project" or "work" and there is no provision under the said act/rule authorizing the assessee to do any business activity with profit motive.

9. That as per said Act/rule, assessee is merely a fund management body without any right of absolute ownership over the fund placed at its disposal for the road construction and development work also belong to the government as absolute owner.

10. The addition/disallowances are illegal, unjust highly excessive and against the material on record. That the Ld CIT(A) erred on fact in law in not considering that the appellant's assessee is a welfare institution for cane growers and not a sale society as in the case of Totgar cooperative sale society and it was not marketing/selling the product of its member

11. That there is no provision under the aforesaid act/rule made there under authorizing the appellant to utilize the receiving to distribute it or any part of it to anybody as profit/income.

12. That the additions upheld are highly excessive, contrary to the facts, law, rules, regulation and principle of natural justice without providing sufficient opportunity to have its say on the reason relied upon by him.

12. That the order of the CIT(A) NFAC DELHI dated 30.10.2025 passed in appeal No.NFAC/2020-21/10202072 AY 2021-22 is liable to be quashed.

13.That the appellant craves leave to aid or amend the grounds of appeal during the course of hearing before Hon'ble ITAT.

2. Heard rival submissions and perused the orders of the authorities below. It is noticed that the assessee filed its return of income on 15.03.2022 declaring Nil taxable income. The case was selected for scrutiny assessment proceedings. The AO noticed that for the first time the assessee claimed deduction u/s.80(P)(2)(b) of the Act. In the course of assessment proceedings the assessee filed letter dated 16.11.2022 and submitted that due to clerical mistake the assessee was entitled for exemption u/s.10(20) of the Act. However, due to clerical mistake exemption u/s.80P(2)(b) of the Act was claimed in the return filed. However, the AO after examining the provision of section 10(20) of the Act denied the claim of the assessee on the ground that deduction u/s.10(20) of the Act is allowable to any Panchayat referred to in clause (d) of article 243 of the Constitution, or Municipality as referred to in clause(e) of article

243P of the Constitution, or Municipal Committee and District Board, legally entitled or entrusted by the Government with, the control or management of a Municipal or local fund; or Cantonment Board as defined in section 3 of the Cantonments Act, 1924(2 of 1924);]. Therefore, the AO denied the deduction u/s.10(20) of the Act to the assessee holding that the assessee do not fall under the expression of local authority to which the provision of section 10(20) applies.

3. On appeal the Ld. CIT(A) sustained the disallowance by observing as under :-

> *"5. Assessee in its submission stated as below :*
>
> *<u>Sub : Reply for Appeal against the Assessment Order for AY 2022-23</u>*
>
> *With reference to appeal against your Assessment Order having DIN ITBA/AST/S/143(3)/2022-23/1048035545(1) dated 15.12.2022 for addition on account of disallowance of deduction claimed.*
>
> *It is mentioned in the Assessment Order that in previous years the assessee has claimed exempted income as Income from Sugar Mill" in AY 2020-21 & deduction is claimed u/s 57 of the Income-tax Act, 1961 in AY 2019-20 & the same exemption/ deduction is provided to us. It clearly proves that assessee is eligible for deduction/exemption. But not being clear in mind in respect of claiming deduction/ exemption under which section does not imply that the assessee has made false claim & under- reported income and it is not liable for any deduction or exemption as per the provisions of the Income-Tax Act, 1961.*
>
> *By not being clear in mind in respect of claiming deduction/exemption under which section does not imply that we are under reporting the income and hereby makes the Assessment order & the notices issued thereafter like Notice of demand u/s 156 of the*

Income Tax Act having DIN No. ITBA/AST/S/156/2022-23/1048035634(1) dated 15.12.2022 null & void.

As you have checked that Ganna Vikas Parishad Nanauta is having the status of Local Authority for which exemption u/s 10(20) of the Income-tax Act, 1961 can be claimed. But in the previous years it has claimed exemption as "Income from Sugar Mill" or deduction u/s 57 of the Income Tax Act. This shows that assesse is not clear in mind to claim exemption/ deduction under which section. But all the other Ganna Vikas Parishads are registered as Association of Persons/Cooperative Societies & claiming deduction u/s 80P of the Income Tax Act.

As Ganna Vikas Parishad is registered as a Local Authority but as per the definition it does not fit to be a local authority so we have initiated the process of PAN correction.

But As per the Assessment order for AY 2017-18 of Cane Development Council Deoband having Order No. ITBA/AST/S/143(3)/2019-20/1016128599(1) dated 27.05.2019. It is clearly mentioned that The Assessee is a Parishad. The Cane Development Council provides assistance to farmers and allied activity of agriculture produce in order to promote the objects of general utility wherein the case was decided in our favor, mentioning that the Cane Development Council is exclusively engaged for development of farmers and the total receipts of the Parishad under the head Government receipts, Development Commission, Interest on FDR's and on saving Bank A/C and other receipts as per Income & Expenditure account. After discussion, the assessment u/s 143(3) is completed on Nil Income. The Assessment order is enclosed herewith for your reference.

It is clearly evident from the assessment order for AY 2017-18 of Cane Development Council Deoband that we, also being a Parishad are also eligible for exemption and not liable to pay the demand.

Kindly look into the issue & looking forward for your positive response.

6. DECISION OF THE APPELLATE AUTHORITY

1. The assessee is a "AOP/BOI", The assessee had filed its return of income on 15.03.2022 declaring total taxable income at Rs. NIL. The case of the assessee has been selected for scrutiny through CASS to examine the large deduction claimed u/s 80P of the IT Act, 1961. Accordingly, notice u/s 143(2) of the Income Tax Act was issued on 28.06.2022, which was duly served through email. In response thereto, the assessee has not submitted any written. submission.

2. For the purpose to complete assessment proceedings, further notices u/s 142(1) of the Income Tax Act together with questionnaire in the form of Annexure were issued requiring the assessee to furnish certain details/documents/information.

3. The assessing officer during the course of assessment proceedings sent various notices to the appellant assessee, but the appellant assessee was not able to prove its contentions. So the assessing officer made the following additions:

Addition amounting to Rs32,91,119/- on account of deduction claimed.

The Appellant assessee in its submissions to this appellate authority have stated that

Sub:- Reply for Appeal against the Assessment Order for AY 2021-22

With reference to appeal against your Assessment Order having DIN ITBA/AST/S/143(3) 23/1048035545(1) dated 15.12.2022 for addition on account of disallowance of dedu claimed.

It is mentioned in the Assessment Order that in previous years the assessee has cla exempted income as Income from Sugar Mill in AY 2020-21 & deduction is claimed u/s the Income-tax Act, 1961 in AY 2019-20 & the same exemption/ deduction is provided to clearly proves that assessee is eligible for deduction/exemption. But not being clear in mis respect of claiming deduction/ exemption under which section does not imply that the asse has made false claim & under- reported income and it is not liable for any deductic exemption as per the provisions of the Income-Tax Act, 1961.

By not being clear in mind in respect of claiming deduction/exemption under which section not imply that we are under reporting the income and hereby makes the Assessment orc the notices issued thereafter like Notice of demand u/s 156 of the Income Tax Act having No. ITBA/AST/S/156/2022-23/1048035634(1) dated 15.12.2022 null & void.

As you have checked that Ganna Vikas Parishad Nanauta is having the status of L Authority for which exemption u/s 10(20) of the Income-tax Act, 1961 can be claimed. But it previous years it has claimed exemption as" Income from Sugar Mill" or deduction uls 57 o Income Tax Act. This shows that assesse is not clear in mind to claim exemption/ dedu under which section. But all the other Ganna Vikas Parishads are registered as Associatic Persons/Cooperative Societies & claiming deduction u/s 80P of the Income Tax Act.

4. This appellate authority from the Assessment order has noticed following points:

1. This appellate authority has noticed that ITRs of the assessee filed for earlier years, it was gathered the appellant assessee has not claimed exemption u/s 10(20) in earlier years. It has claimed exempted income as "Income from Sugar Mill" in AY 2020-21 while it has claimed deduction u/s 57 of the Income-tax Act, 1961 in AY 2019-20.

It clearly proves that assessee is not regular in claiming It clearly proves deduction/exemption in a particular section of the Income-tax Act, 1961. Assessee changes section for claiming deduction/exemption on hit and trail basis in every year. So it can be said that appellant assessee has not in clear mind in respect of claiming the deduction/exemption which proves that the assessee has made false claim and it was not liable for any deduction or exemption as per the provisions of Income-tax Act, 1961.

2. This appellate authority has noted that appellant assessee has shown its status as "AOP/BOI" in the ITR filed for AY 2021-22. Since, assessee itself declared its status as AOP/BOI than claim of exemption on behalf of "Local Authority could not be allowed to the assessee

3. This authority has also noted form the ITR of the appellant assessee that assessee has profit of Rs. 40,29,408/- during the year under consideration. If assessee claiming its income exempled as por the provisions of section 10(20) of the Income-tax Act, 1961, it should be claimed whole income as exempted i.e. Rs. 40,29,408/- while assessee has claimed only Rs. 32,91,119/- as exempted income. Thus, assessee has not a clear view regarding claiming exempt income. Assessee could not explain how it has claimed Rs. 32,91,119/- instead of Rs. 40,29,408/-

4. This appellant assessee has also not provided its source of income, No bank statements of the appellant assessee have been provided to this appellate authority.

From the above discussion this appellate authority finds that the assessing officer has strongly made his case and the appellant assessee company do not provide enough evidences in support to the appeal. This addition of Rs 32,91,119/- on account of deduction claimed is upheld.

7. In the result the appeal is dismissed."

4. On careful perusal of the order of the Ld. CIT(A) though I could not find fault with the reasoning of the Ld. CIT(A) in sustaining the addition. However, in my considered view the authorities below have not examined the Constitution of the assessee, whether it is registered under societies registration Act or registered a trust etc, and none of the authorities have examined the activities of the assessee so as to ascertained whether the assessee is entitle to any deduction under any provisions of the Act. Thus, this appeal is restored to the file of the AO for making the assessment afresh after gathering all the details from the assessee and providing an opportunity to the assessee. The assessee is directed to cooperate with the proceedings before the AO by filing all the relevant and necessary documents to justify its claim.

5. In the result, the appeal of the assessee is allowed for statistical purposes.

Order pronounced in the open court on 25.02.2026.

Sd/-
[C.N. PRASAD]
JUDICIAL MEMBER

Dated: 25.02.2026
*NEHA, Sr.P.S.**
Copy forwarded to:
1. Appellant
2. Respondent
3. PCIT
4. CIT(A)
5. DR

Asst. Registrar,
ITAT, New Delhi