

**IN THE INCOME TAX APPELLATE TRIBUNAL**

**"F" BENCH, MUMBAI**

**BEFORE SHRI SANDEEP SINGH KARHAIL, JUDICIAL MEMBER**

**SHRI BIJAYANANDA PRUETH, ACCOUNTANT MEMBER**

**ITA No. 1173/MUM/2026**  
**(Assessment Year : 2019-20)**

**Mihir Bipinbhai Parekh,**

9 Ruby Mansion, Forjett Cross Street,  
Gowalia Tank Mumbai, Grant Road,  
Mumbai – 400007  
PAN: AADPP4223D

..... Appellant

v/s

**Deputy Commissioner of Income Tax –  
19(1),**

Room No.506, Piramal Chambers, Parel,  
Mumbai - 400012

..... Respondent

Assessee by : Shri Vimal Punmiya  
Revenue by : Shri Vikas Chandra, Sr. DR

Date of Hearing – 22/04/2026

Date of Order - 12/05/2026

**ORDER**

**PER SANDEEP SINGH KARHAIL, J.M.**

The assessee has filed the present appeal against the impugned order dated 08/01/2026, passed under section 250 of the Income Tax Act, 1961 (*the Act*) by the learned Commissioner of Income Tax (Appeals), National Faceless Appeal Centre, Delhi, [*learned CIT(A)*], for the assessment year 2019-20.

2. In this appeal, the assessee has raised the following grounds: -

*"1. On the facts and circumstances of the case and in law, The Ld. CIT(A) erred in confirming the addition made by the Ld. AO of Rs.25,00,000/- under section 80GGC being treated as alleged bogus donation and added the same to the income of the assessee.*

*2. On the facts and circumstances of the case and in law, The Ld. CIT (A) erred in confirming the addition made by the Ld. AO in initiating the reassessment proceeding under section 147 on the grounds that*

*a. No reassessment can be made just to make an enquiry or verification*

*b. Reassessment proceeding cannot be initiated merely on the information received from investigation wing.*

*c. Reassessment proceeding cannot be initiated when the LD AO have reason to suspect and not reason to believe.*

*3. On the facts and circumstances of the case and in law, The Ld. CIT (A) erred in confirming the order passed under section 147 r.w.s. 144B of income tax Act which is passed against the principle of natural justice.*

*4. On the facts and circumstances of case and law the Ld AO erred in passing the assessment order under 147 r.w.s. 144B of income tax act without providing opportunity to rebut the material elide by him during the assessment proceedings which is against the principal of natural justice and hence the said order is liable to be quashed.*

*5. The Ld. AO erred in initiating Penalty Proceedings under section 270A are initiated for underreporting of income for the relevant asst. year."*

3. Grounds No. 2-4, raised in assessee's appeal, were not pressed during the hearing. Accordingly, these grounds are dismissed as not pressed.

4. Ground No.1, raised in assessee's appeal, pertains to the disallowance under section 80-GGC of the Act by treating the donation of INR 25 lakh made by the assessee to a political party as bogus.

5. The brief facts of the case pertaining to this issue, as emanating from the record, are: The assessee is an individual and for the year under consideration filed its return of income on 29/10/2019, declaring a total income of INR 49,02,840. The assessee is a trader in chemicals, namely Potassium Cyanide and Sodium Cyanide, which are primarily required by the Electroplating Industry. On the basis of the information received from the

Investigation Wing regarding the search and seizure action conducted under section 132 of the Act on certain Registered Unrecognised Political Parties ("*RUPP*"), including Kisan Party of India, who were found to be involved in circuitous transactions of receipt of bogus donation in exchange of cash, notice under section 148 of the Act was issued to the assessee, as the assessee was found to have made a donation of INR 25 lakh to Kisan Party of India, during the year under consideration, and claim the same as deduction under section 80-GGC of the Act. In response to the notice issued under section 148 of the Act, the assessee filed its return of income on 19/05/2023, declaring a total income of INR 49,02,480. In response to the statutory notices issued during the reassessment proceedings, the assessee submitted that he was contacted by the staff of the Kisan Party of India several times seeking a donation to the political party, as it was working for the welfare and benefits of the agriculturists. Thus, to give moral support to the political party working for the welfare of agriculturists, the assessee claimed that he decided to donate to the Kisan Party of India.

6. The Assessing Officer ("*AO*"), vide order dated 28/01/2025 passed under section 147 read with section 144B of the Act, disagreed with the submissions of the assessee and held that from the multiple evidences found during the search and seizure action and statements recorded of the key persons and various agents, it is proved that the maximisation of donations to earn commission income was the sole purpose of Kisan Party of India. The AO further held that this political party does not undertake any political activity and is an entity created with the sole purpose of facilitating bogus

claims of deduction under section 80-GGC of the Act by soliciting donations, which are thereafter returned to the donors in cash or through electronic means in lieu of commission earned by the key persons as well as the intermediaries. The AO held that the negligible political presence registered by way of putting up candidates, who have lost their deposits in every election, renting of some stationary in the name of the party, posting of a few events which are merely photographic stunts, are solely intended to create a façade of political activity, so that the primary and sole business of providing accommodation entry in the form of bogus donations can continue unhindered. Accordingly, the AO disallowed the deduction of INR 25 lakh claim by the assessee under section 80-GGC of the Act on account of a donation made to the Kisan Party of India.

7. The learned CIT(A), vide impugned order, dismissed the appeal filed by the assessee. Being aggrieved, the assessee is in appeal before us.

8. During the hearing, the learned Authorised Representative ("*learned AR*") submitted that the Kisan Party of India is registered under section 29A of the Representation of the People Act, 1951 and the donation of INR 25 lakh was made by the assessee through the banking channel. By referring to the donation receipts, forming part of the paper book, the learned AR submitted that the political parties have acknowledged the contribution. Accordingly, the learned AR submitted that the assessee has satisfied the conditions for claiming deduction under section 80-GGC of the Act. It was further submitted that no material has been brought by the Revenue to prove that the donation is bogus. In support of its submission, the learned AR also placed reliance on

various decisions of the Coordinate Bench, forming part of the legal volume from pages 1-39.

9. On the contrary, the learned Departmental Representative ("*learned DR*"), by vehemently relying upon the order passed by the lower authorities, submitted that the impugned disallowance was made by the Revenue on the basis of the search and seizure action conducted under section 132 of the Act on such RUPPs, wherein it was found that after receipt of donation through cheque the amount was routed through intermediaries and the money was returned to the donor either through banking channel or through cash.

10. We have considered the submissions, perused the material available on record and decisions cited by both sides. In the present case, there is no dispute that the assessee made a payment of INR 25 lakh to the Kisan Party of India, which was claimed as a donation to a political party registered under the Representation of the People Act, 1951. Accordingly, the assessee, while filing its return of income, claimed a deduction under section 80-GGC of the Act in respect of the aforesaid donation. In support of its claim of deduction during the reassessment proceedings, the assessee made the following submissions: –

*"The Assesse is a traders in chemicals namely Potassium Cyanide & Sodium Cyanide basically required by Electroplating Industry. Also it is being used in making some compound of cyanides. These compounds are made from combining metals & cyanides as for example Copper Cyanide, Zinc Cyanide etc. Cyanides are also used in heat treatment process, with the help of this cyanides the metals becomes much harder. The Assesse was contacted by the staff of Kisan Party several times saying that the party is working for the welfare and benefits of Kisan i.e. Agriculturists. of grass hopper. After facing all these issues there were marketing problems. The assessee could not face this problem as there was no help from the govt. and any such institution for Agriculturist, so the assessee had to stop agriculture and divert to do business. So to give moral support to a party which was working for the welfare of*

*agriculturists the assessee decided to give donation to the Kisan Party of India. In earlier years the assessee was not aware of such party which is working only for the welfare of Agriculturist So there was no question of giving any donation. The assessee feels that if such parties are there the living standard of the agriculturists will be much better and will be an incentive to the young people to do agriculture and thereby add to the growth of Agriculture and add to India's GDP. The staff of Kisan Party of India, when found our approach positive gave us the bank details."*

11. However, the AO disagreed with the submissions of the assessee, since the political party, i.e. Kisan Party of India, was one of the political parties which was covered under the search and seizure action conducted under section 132 of the Act and had been found to be involved in the circuitous transaction of facilitating a bogus claim of donation. The detailed findings recorded by the AO, in this regard, are reproduced as follows: –

*"3.2.4.1 Ongoing through the information available on record and report received from Investigation Wing, it is noticed that In this regard, a report has submitted by the Investigation Wing, Ahmedabad which states that a search and seizure action u/s 132 of the Act, 1961 was conducted in the case of political parties and charitable organizations on 02.02.2021. The Search operation covered mainly 3 registered unrecognized political parties viz. Many Adhikar National Party(MP), Kisan Adhikar Party(KAP) and Kisan Party of India(KPI) along with 2 charitable organizations. The modus operandi detected in the course of the search operation revealed that the donation is received through cheque in the bank account of the political party. Thereafter the amounts are routed to an intermediary in the form of payments for purchase of agricultural produce. The purchase is bogus and non-genuine and is done only to transfer the moneys into the account, claiming them to be payment for purchase of agricultural produce. The cycle of fund movements is as under:-*

*"The beneficiaries pay donation to political parties by cheque/banking mode. Political parties withdraw funds in cash as well as transfer funds to dummy entities through banking channel for further transmission who withdraw amount in cash that reaches original donor through various intermediaries."*

*3.2.4.2 The modus operandi detected in the course of the search operation and assessment proceedings revealed that the donation is received through cheque in the bank account of the Political Party or the Charitable organization. Thereafter, such amounts are routed to an Intermediary in the form of payments for purchase of agricultural produce viz. rice, wheat, pulses etc. Such intermediaries are shell entities formed and controlled by the same persons running the political parties/charitable organizations, The purchase is bogus and non-genuine and this is done only to transfer the*

*moneys into the account of the intermediary. Thereafter, the intermediary transfers such moneys, claiming them to be payment for purchase of agricultural produce, from various individuals / proprietary concerns. Such individuals/proprietary concerns are active agents in this scam and comprise the points at which cash is withdrawn. This is done due to the reason that the withdrawal of cash from the accounts of such individuals/proprietary concerns does not attract any attention or levy of any TDS on cash withdrawal as they are related to the agro-sector and they claim to purchase the produce directly from the farmers who are purportedly paid in cash. Another, major modus operandi that has been unearthed during the course of search/post search and assessment proceedings is the involvement of large number of APM licensed holders in and around the Ahmedabad district whose bank accounts were utilized in the above mentioned scam for withdrawing of cash. All these APM license holders were not undertaking any kind of trading of agro-based products; instead these were established for a sole purpose of withdrawal of large quantities of cash without deduction of any kind of TDS.”*

12. In support of its submission that the donation of INR 25 lakh was made to the Kisan Party of India, the assessee has placed on record, on pages 10-12 of the paper book, the receipts issued by the Kisan Party of India. From the perusal of these receipts, at the outset, we find that this political party is registered in the State of Bihar. Further, from the perusal of the decision of the Coordinate bench of the Tribunal at Mumbai in *Abhishek Jayketu Joshi v/s ACIT*, in ITA No. 5775/Mum/2025, vide order dated 13/01/2026, we find that the Kisan Party of India only participated in the Bihar Legislative Assembly elections. Thus, no evidence is available on record regarding the presence of this political party in the State of Maharashtra, and more particularly in the city of Mumbai, where the assessee resides and is assessed to tax.

13. Further from the perusal of the submissions of the assessee before the AO, we find that the assessee claims that the staff of the Kisan Party of India had contacted him several times seeking donation for the political party, which is working for the welfare and benefits of agriculturists, and to give moral

support to the political party, he decided to give donation to the Kisan Party of India. It is pertinent to note that the assessee is a trader of chemicals used in the Electroplating Industry. Thus, in such a business profile of the assessee, there is no material available on record to show as to how the staff of the Kisan Party of India, which claims to be working for the welfare of the agriculturists, came in contact with the assessee.

14. Further, from the return of income filed by the assessee and the computation of income for the year under consideration, as placed in the paper book from pages 1-8, we find that the assessee has declared a total net profit of INR 62,84,682. Thus, the donation of INR 25 lakh to the political party constitutes approximately 40% of the assessee's net profit before tax as per the profit and loss account. From the computation of income, we further notice that the assessee did not make any other donation for any other welfare purpose which is allowable as deduction under the Act and apart from deduction under section 80-GGC, the other deductions claimed under Chapter VI-A pertains to section 80-D, i.e. on Medical Insurance Premium, section 80-TAA, i.e. Interest in Saving Account, and section 80-CCE, i.e. on Life Insurance Premium, of the Act. Therefore, it is evident that the donation to the Kisan Party of India was the only philanthropic activity undertaken by the assessee, and which was approximately 40% of the net profit earned during the year.

15. Therefore, the aforesaid facts, coupled with the information available with the Revenue on the conduct of the Kisan Party of India as noted in the foregoing paragraphs, do not inspire confidence to accept the claim of the assessee that the donation of INR 25 lakh was genuine.

16. As regards the decisions of the Coordinate Bench of the Tribunal relied upon by the learned AR, we find that in *Abhishek Jayketu Joshi (supra)*, the said decision was rendered on its own facts, which are distinguishable from the facts of the present case as noted in the foregoing paragraphs. Thus, we are of the considered view that this decision is not applicable to the present case. Further, the issue in *Vitthaldas Nathubhai Shah v/s PCIT*, reported in [2025] 215 ITD 77 (Ahm – Trib.), relied upon by the learned AR, pertains to the validity of proceedings initiated under section 263 of the Act. Accordingly, the Coordinate Bench at Ahmedabad, after recording the findings that the AO had made inquiries, called for supporting documents, verified the evidence, took a plausible view and quashed the order passed by the PCIT under section 263 of the Act. However, such are not the facts of the present case, and therefore, this case is factually distinguishable. Further, in *ACIT v/s Armeem Infotech*, reported in [2022] 136 taxmann.com 128 (Ahd-Trib.), relied upon by the learned AR, we find that the claim of the taxpayer under section 80-GGC of the Act was denied as the political party failed to use the donation for the object for which it was made. However, such are not the facts of the present case, and therefore, this case is factually distinguishable. The last decision relied upon by the learned AR in *ACIT v/s Anuj Prakash Gupta*, reported in [2026] 183 taxmann.com 392 [Raipur-Trib.], the political party to which the donation was given and claimed deduction under section 80-GGC of the Act was not the Kisan Party of India. Therefore, we are of the considered view that the said decision is also not applicable to the present case.

17. The learned DR also placed reliance upon the decisions of the Coordinate Bench of the Tribunal, wherein the donation to the RUPP was found to be bogus. However, we are of the considered view that all the decisions have been rendered in their own facts, which are not identical to the present case, and each case needs to be adjudicated on its own facts.

18. Therefore, in view of the overall facts and circumstances of the present case, we are of the considered view that the claim of deduction under section 80-GGC of the Act in respect of donation by the assessee to the Kisan party of India was rightly denied by the AO and upheld by the learned CIT(A). Accordingly, the impugned order is upheld, and Ground No.1 raised in the assessee's appeal is dismissed.

19. Ground No.5, raised in assessee's appeal, pertains to the initiation of penalty proceedings under section 270A of the Act, which is premature in nature. Therefore, the said ground is dismissed.

20. In the result, the appeal by the assessee is dismissed.

Order pronounced in the open Court on 12/05/2026

**Sd/-**  
**BIJAYANANDA PRUSETH**  
**ACCOUNTANT MEMBER**

**Sd/-**  
**SANDEEP SINGH KARHAIL**  
**JUDICIAL MEMBER**

**MUMBAI, DATED: 12/05/2026**

*Prabhat*

Copy of the order forwarded to:

- (1) *The Assessee;*
- (2) *The Revenue;*
- (3) *The PCIT / CIT (Judicial);*
- (4) *The DR, ITAT, Mumbai; and*
- (5) *Guard file.*

By Order

Assistant Registrar  
ITAT, Mumbai.