

**IN THE INCOME TAX APPELLATE TRIBUNAL
DELHI BENCH “F”, NEW DELHI**

**BEFORE SHRI S. RIFAUR RAHMAN, ACCOUNTANT MEMBER
AND
SHRI VIMAL KUMAR, JUDICIAL MEMBER**

ITA No. 8271/Del/2025, A.Y. 2026-27

National Lubricating Grease Institute India Chapter R And D Centre, Sector-13, Faridabad, Haryana	Vs.	CIT (Exemption), Room No. 1, 5 th Floor, C R Building, Himalaya Marg, Sector-17E, Chandigarh- 160017
स्थायीलेखासं./जीआइआरसं./PAN/GIR No: AAATN7389M		
Appellant	..	Respondent

Appellant by :	Shri Salil Agarwal, Sr. Adv. Shri Shailesh Gupta, CA
Respondent by :	Shri Yashvendra Singh, CIT-DR
Date of Hearing	23.06.2026
Date of Pronouncement	10.07.2026

ORDER

PER VIMAL KUMAR, JM:

The appeal filed by the assessee against the order dated 03.11.2025 under section 12AA of the Income Tax Act, 1961 (hereinafter referred to as “the Act”) of the Commissioner of Income Tax (Exemption), Chandigarh [hereinafter referred to as “the CIT(E)”].

2. Ld. Authorized Representative for appellant/assessee submitted that Ld. learned Commissioner Income Tax (Exemptions), Chandigarh has grossly erred in law and on fact in refusing to renew the registration to the appellant society under section 12AB/12AA of the Act. The learned Commissioner of Income Tax (Exemptions) has grossly erred in failing to appreciate that the objects of the appellant society are wholly charitable in nature which were also duly backed and supported by the activities so undertaken by the appellant society and as such, the denial of exemption is completely unjust and untenable both in law and on facts, more so, when under identical circumstances and facts registration under section 12AB/12AA was granted by Hon'ble ITAT in assessee's case. The learned Commissioner of Income Tax (Exemptions) failed to appreciate and understand the detailed explanations and replies furnished by the assessee appellant containing the details of activities, receipts and expenditures, which have all been misconstrued and misunderstood by CIT (E) while denying exemption to the assessee appellant. The learned Commissioner of Income Tax (Exemptions) has completely ignored that the society has organized various conference/ seminars to impart technical education for promoting, encouraging and developing the growth of lubricating greases and its application and any surplus which arose was only incidental to the main activity of the assessee society, which was also further utilized for charitable activities by the assessee -

society. Reliance placed by learned CIT (Exemptions) on NLGI- USA, parent body's USA's tax status is wholly misconceived, as the assessee society is governed by Indian Income Tax and same has been held on earlier occasion by Hon'ble ITAT to be eligible for registration under section 12AB of the Act, which order has been arbitrarily brushed aside by learned CIT (Exemptions).

3. Ld. Departmental Representative submitted the following written submissions as under:

“The assessee is entirely ineligible to claim for registration U/a 12A/12AB under the "Education" limb of Section 2(15) and other charitable Objects of General Purpose of the Income Tax Act, 1961 ("the Act"). Crucial factual disclosures regarding the Petitioner's global parent organization along with Judgements of Hon'ble Apex Court in the case of Ahmedabad Urban Development Authority (AUDA) (2022) and judgement of Hon'ble Apex Court in M/s New Noble Educational Society vs Chief Commissioner of Income tax (October 19, 2022). These factors fundamentally dismantle the Petitioner's reliance on historical ITAT order and its claimed charitable status.

PRELIMINARY SUBMISSION: THE STATUS OF THE PARENT BODY

The Petitioner operates as an affiliate chapter of the National Lubricating Grease Institute, USA (NLGI USA). Factual disclosures reveal that the parent body is registered with the US Internal Revenue Service (IRS) under section which is used for Trade Association / Business League, and not under Section 501(c)(3) as a public charity or scholastic educational institution, which corresponds to Section 12A/12AB of Income-tax Act, 1961.

The legal consequences of this foundational fact are detailed below for kind consideration of your honours:

1. THE ARGUMENT OF "DERIVED CHARACTER"

1.1. The Petitioner ("India Chapter") does not exist or operate in a functional vacuum; it is an affiliate branch that derives its name, operational charters,

technical standards, testing papers, and core mandate directly from its parent body in the USA.

1.2. The Respondent submits that an affiliate chapter cannot possess a fundamental character or "DNA" completely distinct from its apex body.

1.3. Because the parent body's legal and operational charter is explicitly to serve a specific industry as a trade association, its subsidiary chapter cannot alter its character before Indian tax authorities to masquerade as a pure scholastic "Educational Institution" or an entity for Other General Purpose Charity.

2. INVALIDATION OF THE PETITIONER'S "EDUCATION" CLAIM

2.1. The Petitioner relies on its seminars, grease-testing standards, and journals to claim exemption under the "Education" or other General Purpose Objects (GPU) of Section 2(15).

2.2. This claim is completely untenable under the law established by the Hon'ble Supreme Court in the Loka Shikshana Trust v. CIT [1975], which restricts "Education" to formal schooling and scholastic pursuits in a regular manner. This has again been reaffirmed by Hon'ble Supreme Court in the case of M/s New Noble Educational Society, pronounced in 2022 itself.

2.3. The IRS, USA classification of the parent body confirms that the literature, testing parameters, and symposiums created by the organization are commercial tools designed to advance the professional interests of corporate members (oil companies, manufacturers, and commercial labs).

2.4. Consequently, the Petitioner's paid conferences are commercial, industry-focused workshops for working professionals rather than a systematic process of schooling, ousting the Petitioner entirely from the "Education" limb.

3. MANDATORY RE-CLASSIFICATION TO "GENERAL PUBLIC UTILITY" (GPU)

3.1. Since the Petitioner's primary objective is tied to an international trade association promoting a specific industry, it must be evaluated strictly under the residual limb of Section 2(15): Advancement of Any Other Object of General Public Utility (GPU).

3.2. Once the Petitioner is correctly placed under the GPU category, its claim faces the strict statutory ceilings re-established by the Hon'ble Supreme Court in ACIT v. Ahmedabad Urban Development Authority (AUDA) case: -

•The 20% Statutory Ceiling: *Any corporate sponsorships, high-value delegate fees, or commercial advertisement revenues collected during*

conferences constitute "fees for rendering a service in relation to trade, commerce, or business" under the Proviso to Section 2(15).

• **Denial of Exemption:** *If these commercial conference receipts exceed 20% of the India Chapter's total gross receipts for the financial year, its tax exemption under Section 11 is denied automatically by operation of law, therefore, CIT(E) has clearly made out the case for rejection of registration application of the assessed entity.*

• **Application of Income Irrelevant:** *Under the AUDA framework, it is immaterial whether the surplus generated was accumulated or plowed back into publishing technical journals.*

4. THE "CONSISTENCY" ARGUMENT REBUTTAL: -

4.1. The Petitioner argues that the principle of consistency must apply, pointing to the previous order by the Hon'ble Tribunal Bench, which granted it an exemption registration, setting aside the CIT(E) order.

4.2 The Respondent submits that a consistency argument cannot be used to perpetuate a foundational factual error or bypass superior Hon'ble Supreme Court mandates."

4. From examination of record in light of aforesaid rival contention, it is crystal clear that Ld. CIT(E) rejected application for renewal u/s 12AB/12AA of the Act vide order dated 03.11.2025 inter alia mentioning that no stretch of imagination, the assessee society can be called a charitable society, it is working for a very closed community i.e. Lubricating Grease Industry. Another notable issue that parent, the National Lubricating Grease Institute (NLGI) USA is recognized by the Internal Revenue Service of USA as a not-for-profit trade association, which falls under a different tax-which exempt status than a charitable organization. It is not a 501(c)(3) charitable organization which is basically akin to India's religious organizations.

5. A co-ordinate Bench in ITA No. 163/Del/2024 titled as in assessee's own case in order dated 27.05.2024 in para No. 5 to 8 reproduced as under:

"5. As we appreciate the material before us and the submissions, it can be seen that the assessee society had commenced its activities on 14.05.1998 and is India Chapter of the National Lubricating Grease Institute, USA. It has been established by a Resolution of NLGI, USA on 27.10.1996. The office bearers and the members of the Society are from the oil companies, i.e., Indian Oil Corporation, HPCL and APAR Ltd., Mumbai. As per the assessee, lubricating grease is a very specific lubricant and the Institute provides a platform for researchers, academia-industry to advance on lubricating grease. The Society works in the following fields without profit motive: -

"1. Education: The institute conducts annual "education course" for the benefit of research scholars, engineering students and end users. During the course top-faculties on the subject educate students on the fundamentals of lubricating grease and their applications in different industries. Students also visit related industry during the course. This exposure is helpful for students to take suitable decision while selecting their work and in turn industry also gets benefitted as they may recruit such students who already have an exposure on the subject. The specific type of education sources are not available elsewhere in India.

2. The Technological Development: Latest developments in the field of science of lubricating grease are mostly carried out by companies and the knowledge is not available in public domain. NLGI-IC conducts lubricating grease inter laboratory correlation program/ Round Robin tests wherein various members of the institute participate. During the annual conference researchers from all around the world present latest research carried out in the field of lubricating grease to the end users. This greatly helps Indian grease industry. The parent body, NLGI USA has devised key tests for grease characterization on which the quality of lubricating grease is determined. The institute also frames specification for advancement of grease product across the globe. This is essential to match with technological advancements happening in the industries such as steel, power, automotive, cement, etc. This important for boosting "Atmnirbhar Bharat" campaign in recent times.

3. Environmental Aspects: NLGI-IC has also recognized the importance of taking care of environment. Institute tries to make its annual conference event a carbon neutral one. For this cause NLGI-IC supports tree plantation (through other local NGOs) in the specific area to mitigate carbon emission."

5.1 The Society has been formed with the following objectives:-

“4.1 To promote, encourage and develop the growth of lubricating greases and its applications.

4.2 To establish an active association of all those persons, bodies, institutions (private or public) and industries interested in 4.1.

4.3 To promote research and development into all aspects of lubricating grease.

4.4 To promote the understanding of all matters concerning the manufacturing, handling, selling and use of lubricating grease in India and to facilitate the exchange of information concerning lubricating grease between all interested organizations and individuals.

4.5 To disseminate information concerning the developments in lubricating grease and their applications through lectures, courses and workshops and to bring scientist, grease industry representatives, raw material suppliers, packages and users to a common forum.

4.6 To publish News bulletins covering information pertaining to the developments and activities in lubricating grease.

4.7 To render advice (technical or otherwise) to Government and commercial bodies on matters pertaining to lubricating grease, grease specifications and applications when needed or requested.

4.8 To collect technical information with respect to

- 1. New or improved methods of manufacturing LG.*
- 2. New or improved equipments for manufacturing of LG.*
- 3. New or improved containers for LG.*
- 4. New or improved equipment for dispensing LG.*
- 5. New or improved devices for applying LG.*
- 6. New consumer requirements for LG.*
- 7. Environmental and other regulatory issues.*
- 8. Development of new or improved quality and quality control methods.”*

5.2 The aforesaid stands not disputed. It is also not disputed that the major part of the revenue earned by the assessee and also the major expenses incurred pertained only to organization of conferences amongst stakeholders. There is no dispute to the fact that more than 75% of the Revenue is from these conferences and more than 80% of the expenditure is on these conferences only.

5.3 Now we are of considered view that when a Society is formed for a specific objective, then, the beneficiary members or stakeholders would certainly be of that specific field. Every individual of the Society may not be benefitted directly by the activity of this Society, but, the field in which they are working is certainly one which benefits the general public at large. Thus, only because of specific group of

participants of lubricating grease industry are directly benefitted cannot be a ground to question the charitable nature of a Society. Reliance in this regard can be placed on the judgement of the Hon'ble Supreme Court of India in **Ahmedabad Rana Caste Association vs. CIT (1971) 82 ITR 704**, wherein the Hon'ble Supreme Court was examining the charitable nature of the activities of an association of persons of Rana caste or community of Ahmedabad which was doing work for improving education of the community or to give medical help, etc. The Hon'ble Supreme Court had held as follows:-

“It is well settled by now and the High Court also has rightly taken that view that an object beneficial to a section of the public is an object of general public utility. To serve a charitable purpose it is not necessary that the object should be to benefit the whole of mankind or all persons in a particular country or State. It is sufficient if the intention to benefit a section of the public as distinguished from a specified individual is present. This Court in Commissioner of Income tax, Madras v. Andhra Chamber of Commerce(1) overruled the view of Beaumont C.J. in Commissioner of Income tax v. Grain Merchants' Association of Bombay(2) on the point. It was, however, observed that the section of the community sought to be benefitted must be sufficiently defined and identifiable by some common quality of a public or impersonal nature. Where there was no common quality uniting the potential beneficiaries into a class the trust might not be regarded as valid. In the various orders the clause relating to the beneficiaries has not been clearly and accurately set out. In the petition of appeal dated October 7, 1968 the provisions of the constitution of the assessee are set out and with reference to The community it is stated, "Rana community means natives of Ahmedabad only and the other community brothers accepted by the community as per old rules of the community staying in Ahmedabad". It is common ground that the word "old rules" do not represent the correct translation of the original word in Gujarati which is Riway meaning custom. The learned judges of the High Court also, who are conversant with that language, have proceeded on the basis that the correct rendering of the aforesaid word is custom or usage. That is why according to the High Court the definition comprises two classes of members of Rana caste residing in Ahmedabad, one class consisting of those who are natives of Ahmedabad while the other class consists of such persons who are admitted by the Rana caste according to the old custom or usage of the community. The reason which prevailed with the High Court for treating the second class as not being united with the first class by a common characteristic or attribute was that its members have to be accepted by the community according to the old custom or usage and that the entry of the members of this class into the Rana caste residing in Ahmedabad was dependent on the decision of the caste to admit them. We are altogether unable to concur in the approach or the conclusion of the High Court on the above point.”

5.4 The Hon'ble Rajasthan High Court in the case **CIT (Exemptions) vs. Anesthesia Society (2019) 101 taxmann.com 227 (Rajasthan)**, while examining the charitable purpose with regard to a Society constituted to bring doctors, dealing in anesthesia specialty, together for purpose of inter alia development of medical science, publication of research magazine, to promote research and practical work and to organize seminars, etc., did not accept the plea of the

Revenue that the Society was constituted for the benefit of only one branch of medicine, i.e., anesthesia and not for benefiting the entire medical fraternity. The Hon'ble High Court, relying **Ahmedabad Rana Caste Association's case**, had held that: "the education programme and research work to be undertaken by the assessee Society in larger perspective are going to benefit the public at large and, therefore, the activities of the assessee Society do fall within the purview of general public utility so as to make it entitled for registration u/s 12A of the Act." Similarly, the Hon'ble High Court of Rajasthan, Jodhpur Bench, in **CIT vs. Jodhpur Chartered Accountants Society (2003) 127 Taxman 90 (Rajasthan)**, while examining the predominant object of the assessee Society of Chartered Accountants to propagate and disseminate knowledge about commercial laws, tax laws by holding seminars, conferences, workshops, etc., has held that the object to educate at least a particular class of people was a general public utility and the assessee Society fall in the category of charitable institutions. Thus, we are of the considered view that for the reason that members/stakeholders of lubricating grease industry were the only participants of the conference or workshop does not disentitle the charitable status of the assessee.

6. As regards the objection of the Competent Authority that the assessee was not providing any structured courses by way of seminars and workshops for the lubricating grease industry, we are of the considered view that the ld. Competent Authority has given a very narrow interpretation of the term, 'education' by relying the judgement of the Hon'ble Supreme Court in **Sole Trustee, Lok Shiksha Sansthan Trust vs. CIT (1975) 101 ITR 234 (SC)**, by observing that there should be normal schooling by way of regular and systematic instructions. The assessee is not seeking any benefit of section 10(23C) of the Act, at this stage, so as to go into the question that seminar, workshops, conferences can be characterized as part of education or incidental to imparting education. What is relevant is that the assessee is established for holding these workshops and conferences for the benefit of the stakeholders of the lubricating grease industry and the advancement of the object which are held to be charitable, then, at this stage of grant of registration genuineness of the activity or the scope of the activity to ascertain whether the Society exists solely for education activity and not for profit could have been examined. 7. Similarly, the generation of surplus alone cannot be a criteria to deny the registration u/s 12A of the Act. When there are other provisions under the Act to account for such surplus. In this regard, as we go through the provisions of section 12AB, what is required to ascertain is the genuineness of the activities of the Trust or institution and the compliance of such requirements of any other law for the time being in force by the institution. The ld. Competent Authority herself in para 3 has observed as follows:-

"3. The provisions necessitate examination of two basic conditions for grant of registration u/s 12AB. The same include, apart from the examination of objects of the society, satisfaction of the competent authority in respect of genuineness of activities as well particularly when the applicant is an ongoing entity."

8. In the light of the aforesaid, we are of the considered view that the competent authority has fallen in error in denying the registration to the assessee u/s 12AB of the Act. Grounds raised are sustained and the appeal is allowed. The competent authority shall pass an order granting the registration."

6. In view of above material facts by respectfully following judicial precedent the impugned order rejecting application u/s 12A/12AA of the Act being illegal is set aside and the matter is restored to the file of Ld. CIT(E) for afresh decision in accordance with law after affording fair opportunity of hearing to the assessee.

7. In the result, the appeal filed by the assessee is allowed for statistical purposes.

Order pronounced in the open court on 10.07.2026

Sd/-
(S. RIFAUR RAHMAN)
ACCOUNTANT MEMBER

Sd/-
(VIMAL KUMAR)
JUDICIAL MEMBER

Dated: 10.07.2026

Binita, Sr. PS

Copy forwarded to:

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

ASSISTANT REGISTRAR
ITAT, NEW DELHI