

**IN THE INCOME TAX APPELLATE TRIBUNAL
“G” BENCH, MUMBAI
BEFORE SMT. BEENA PILLAI (JUDICIAL MEMBER)
&
SHRI JAGADISH (ACCOUNTANT MEMBER)
I.T.A. No. 282 & 332/Mum/2026**

Yogayatan Jankalyan Trust 4, Vaswani Mansion 120 Dinshaw Vaccha Road Mumbai - 400020 [PAN: AAATY1388H]	Vs.	Commissioner of Income Tax (Exemption), Mumbai
(Appellant)		(Respondent)

Assessee by	Shri Rahul Sarda, Advocate
Revenue by	Shri Arun Kanti Datta, CIT D/R

Date of Hearing	08.04.2026
Date of Pronouncement	20.04.2026

ORDER

Per Smt. Beena Pillai, JM:

These appeals filed by the assessee are directed against separate orders passed by the Ld. Commissioner of Income Tax (Exemption), Mumbai, rejecting the application for registration u/s 12AB of the Act and the application for approval u/s 80G of the Act. Since both appeals arise out of common facts, they were heard together and are disposed of by this consolidated order.

2. Brief facts of the case are as under:-

The assessee is a trust engaged in charitable activities and filed application in Form No. 10AB on 29/05/2025 seeking registration u/s 12AB of the Act as well as approval u/s 80G of the Act. The Ld. CIT(E) rejected the application for registration u/s 12AB primarily on the ground that the assessee granted scholarship to an Indian student pursuing education abroad, which according to the Ld. CIT(E) is hit by the provisions of section 11(1)(c) of the Act. It was

further observed that the object clause permits application of funds outside India.

2.1. Consequently, while adjudicating the application for approval u/s 80G, the Ld. CIT(E) observed that since the application for registration u/s 12AB has been rejected, the assessee fails to satisfy the condition prescribed u/s 80G(5)(i) of the Act. Accordingly, the application for approval u/s 80G was also rejected.

Aggrieved by the order, assessee preferred appeal before this *Tribunal* against rejection of registration u/s 12A and Section 80G.

3. Before us, the Ld. AR submitted that the rejection by the Ld. CIT(E) is based on an erroneous interpretation of law and facts. It was contended that grant of scholarship to an Indian student pursuing education abroad does not amount to violation of section 11(1)(c), as the ultimate beneficiary remains an Indian national. The Ld. AR further submitted that the issue is squarely covered by the decision of the coordinate bench of this *Tribunal* in the case of *Income Tax Officer (E) vs. J.N. Tata Endowment for Higher Education of Indians* reported in [2024] 166 taxmann.com 126 (Mumbai - Trib.), wherein it has been held that disbursement of loan scholarships to Indian students for pursuing higher education abroad constitutes application of income for charitable purposes in India.

3.1. It was further submitted that at the stage of granting registration u/s 12AB, the Ld. CIT(E) is only required to examine the objects of the trust and genuineness of activities and cannot go into the allowability of application of income. Accordingly, it was prayed that registration u/s 12AB be granted and consequential approval u/s 80G also be allowed.

3.2. The Ld. DR relied upon the order of the Ld. CIT(E) and submitted that the assessee had applied funds outside India, which is not permissible in view of section 11(1)(c) of the Act. It was submitted that the Ld. CIT(E) has rightly rejected the application.

We have perused the submissions advanced by both sides in light of the records placed before this *Tribunal*.

4. The primary basis for rejection of registration u/s 12AB is that the assessee granted scholarship to an Indian student for pursuing education abroad, which according to the Ld. CIT(E) violates section 11(1)(c) of the Act.

4.1. We find that the issue is squarely covered by the decision of the coordinate bench of this *Tribunal* in the case of *Income Tax Officer (E) vs. J.N. Tata Endowment for Higher Education of Indians* reported in [2024] 166 taxmann.com 126 (Mumbai - Trib.), wherein it has been held that disbursement of loan scholarships to Indian students for study overseas constitutes application of income for charitable purposes in India. The relevant observation of the Co-ordinate Bench is reproduced as under:

“5. We have heard rival submission of the parties and perused the relevant material on record. The assessee trust claimed loans granted to Indian students as scholarship for their overseas education as application of income for the purpose of exemption u/s 11 of the Act. But according to the Assessing Officer income should have been applied for charitable purpose on education within Indian territories and not outside India. According to him, mere fact that persons to whom payments have been made for charitable purpose is Indian and payment has been made in Indian territory is not sufficient the activity related to charitable purpose for which payment is made, should also happen within Indian territory. Before the Ld. CIT(A), the assessee relied on the decision of the Co-ordinate Bench of the Tribunal in the case of *Jamsetji Tata Trust (supra)*. The Ld. CIT(A) after

considering that facts of instant case being identical to facts of Jamsetji Tata Trust (*supra*), he deleted the disallowance observing as under:

“6.2.1 The appellant in its reply has reiterated the stand taken before the AO and has also relied on the judgment of the Hon’ble ITAT in the case of the Jamsetji Tata Trust v. Joint Director of Income-tax (Exemption) Range-II, [2014] 44 taxmann.com 447/148 ITD 388 (Mumbai) wherein the hon’ble ITAT has held that the education grant given to the Indian Students in India for education/higher education abroad fulfills the conditions of application of money for such purpose in India. The appellant has also submitted that the Hon’ble ITAT while delivering this judgment has clearly held that the facts in the case of National Association of Software and Services Companies which was relied upon by the AO were distinguishable. The relevant part of the Judgment of the Hon’ble ITAT is as under:

10.5 We have considered the rival submissions and perused the relevant material. The assessee has given grant to 97 scholars studying in various institutions and universities outside India and the total amount of grant is Rs. 1,53,50,000/- . The assessee paid the grant in India and for the purpose of education of Indian students/persons, thus the charitable purpose of the grant is education of Indian persons. The application of income of the assessee completes at the point when the assessee released the grant which took place in India. The decision relied upon by the revenue is not applicable in the facts of the present case as the application of income took place in India and for the purpose of education of Indian students/persons. Therefore, for taking education by beneficiary from abroad would not amount to application of income of the assessee outside India. In the case of Bharata Kalajni (*supra*) the Chennai Bench of this Tribunal while deciding a question arising from the payment of Rs. 1.55 lakh made to a travel corporation of Indian for sending a troop on tour. The AO treated the expenditure as application of income of the trust for charitable purpose. However CIT revised the assessment and was of the opinion that this expenditure was prohibited and was not applied for purpose of trust in India and, therefore, not eligible for exemption u/s 11. The main object of the trust was to advance, propagate, increase and promotion of Indian classical and Folk arts and Indian music etc. The trust was invited by the Government of Nigeria to give certain dance performance abroad. Accordingly the trust sends a troop and paid a sum of Rs. 1.55 lakh being the passage money to the Travel Corporation of India. The Tribunal held in para 6 as under:

“6. The crucial question is only whether the conditions in section 11 are complied with. That section states that the income derived from property held under trust wholly for

charitable purposes shall not be included in the total income to the extent to which such income is applied to such purposes in India. The question is whether this section requires the application of money in India or the carrying out of the purposes in India or both. The contention of the revenue is that apart from the money being spent in India even the purpose must be carried out in India. The section itself contradicts this contention. Section 11(1)(c)(ii) provides that income applied to such purposes outside India is exempt in the case of trust created before 1-4-1952 subject to the approval of the Board. This underlines the principle that Governments do not forego their revenue in favour of charges paid outside their countries and hence the relevant consideration is whether the situs of the application of the money and not the place in which the objects of the trust may become effective. It may be pertinent to refer to section 10(16) which exempts scholarships granted to meet the cost of education where also the CBDT itself does not consider scholarship granted for education abroad as money spent outside India. Similarly in the present case of such a wide object of exemption u/s 11 of Rs. 3,47,50,026/- as income applied to charitable purpose in India. The grounds of appeal 1,2 and 3 are allowed.”

(emphasis supplied externally)

5.1 In the above case relied upon by the ld CIT(A), the coordinate bench held the disbursal of loan scholarship to students in India for study overseas as application of income for charitable purposes in India. As the facts and circumstances of the instant case are identical to the facts of decisions relied upon by the Ld. CIT(A), therefore, we uphold the order of the Ld. CIT(A) on the issue in dispute. The grounds of appeal of the Revenue are accordingly dismissed.”

4.2. Respectfully following the aforesaid decision, we hold that the reasoning adopted by the Ld. CIT(E) is not sustainable. In the present case, there is no adverse finding regarding the charitable nature of the objects or genuineness of activities of the assessee.

Accordingly, we set aside the order of the Ld. CIT(E) rejecting registration u/s 12AB and direct the Ld. CIT(E) to grant registration to the assessee in accordance with law.

Since the rejection of approval u/s 80G is solely on account of rejection of registration u/s 12AB, and we have already directed grant of registration u/s 12AB, the very basis of rejection does not survive. **Accordingly, the Ld. CIT(E) is directed to grant approval u/s 80G to the assessee in accordance with law.**

In the result, both appeals filed by the assessee are allowed.

Order pronounced in the open court on 20/04/2026

Sd/-

**(JAGADISH)
Accountant Member**

Sd/-

**(BEENA PILLAI)
Judicial Member**

Mumbai
Dated: 20/04/2026
SC Sr. P.S.

Copy of the order forwarded to:

- (1) The Appellant
- (2) The Respondent
- (3) The CIT
- (4) The CIT (Appeals)
- (5) The DR, I.T.A.T.

True Copy
By order

(Asstt. Registrar)
ITAT, Mumbai