

**IN THE INCOME TAX APPELLATE TRIBUNAL
DELHI BENCH "F" NEW DELHI
BEFORE SHRIPAWAN SINGH, JUDICIAL MEMBER AND
SHRIBRAJESH KUMAR SINGH, ACCOUNTANT MEMBER
आ.अ.सं./I.T.A No.2840/Del/2018
निर्धारणवर्ष/Assessment Year:2013-14**

DCIT, Exemption, Room No.105, CGO Complex-II, 1 st Floor, Kamla Nehru Nagar, Ghaziabad, Uttar Pradesh.	बनाम Vs.	MAHARANA PRATAP EDUCATION CENTRE, 117/Q/66, Sharda Nagar, Kanpur, Uttar Pradesh. PAN No.AABTM5254T
अपीलार्थी Appellant		प्रत्यर्थी/Respondent

Assessee by	Shri G.C. Srivastava, Advocate & Shri Kalrav Malhotra, Advocate
Revenue by	Ms. Monika Singh, CIT DR

सुनवाईकीतारीख/ Date of hearing:	24.11.2025
उद्घोषणाकीतारीख/Pronouncement on	28.11.2025

Order Under Section 254(1) of Income Tax Act

PER PAWAN SINGH, JUDICIAL MEMBER

1. This appeal is filed by the Revenue against the order of the Ld. CIT(Appeals)-
II, Kanpur dated 23.01.2018 for the AY 2013-14 passed u/s 143(3) of the Act.

The Revenue has raised the following grounds:

- (1) *"The Ld. CIT(A) has erred in law and facts in deleting the additions of Rs.83,019/- was made by the AO in respect of expenses on account of donation and charity which were not explained during the assessment proceedings by the assessee.*
- (2) *The Ld. CIT(A) has erred in law and facts in deleting the addition of Rs.13,29,51,361/- on account of extraordinary expenditure on advertisement which were not explained during the assessment proceedings by the assessee.*
- (3) *The Ld. CIT(A) has erred in law and facts in deleting the addition of Rs.3,53,07,414/- in respect of royalty as the expenditure is not charitable within the meaning of section 13(3) of the I.T. Act.*

- (4) *The Ld. CIT(A) has erred in law and facts in deleting the addition of Rs.1,23,90,343/- in respect of depreciation on branding as the provision of section 13(1)(c) & 13(3) of I.T. Act are applicable.*
- (5) *The Ld. CIT(A) has erred in law and facts in deleting the addition of Rs.29,73,567/- in respect of curriculum development charges as the provision of section 13(1)(c) & 13(3) of I.T. Act are applicable.*
- (6) *The Ld. CIT(A) has erred in law and facts in deleting the addition of Rs.2,69,69,137/- in respect of disallowance was made on specific expenses as the payment made to the persons is in violation of provisions of section 13(1)(c) of the I.T. Act.*
- (7) *The Ld.CIT(A) has erred in law and facts in deleting the addition of Rs.4,19,47,464/- in respect of hostel activities as this activity is found to be commercial in nature.*
- (8) *The order of Ld. CIT(A) be cancelled and the order of the AO be restored."*

2. Brief facts are that the assessee is an Educational Institution filed his return of income for AY 2013-14 declaring nil income. The case was selected for scrutiny; assessment was assessment was completed on 30.03.2016. The Assessing Officer (AO) while passing the assessment order treated the assessee as Association of Person (AOP) besides other additions made various additions/ disallowances including the following additions:

S.NO.	AMOUNT	NATURE OF ADDITION/DISALLOWANCE
A)	Rs.83,019	Donation & Charity
b)	Rs.45,33,570	Interest on TDS claimed by the assessee (not an issue in this appeal)
c)	Rs.13,29,51,361	Disallowances of 'Advertisement Expenses'
d)	Rs.3,53,07,414	Disallowance of 'Royalty Expenses'
e)	Rs.1,23,90,343	Disallowances out of depreciation of 'Branding'
f)	Rs.29,73,567	Disallowances made out of depreciation on 'Curriculum'
g)	Rs.2,69,69,137	Disallowed 20% of various expenditure amounting to Rs.13,48,45,686.00 claimed under the head A) Charges for accommodation facility Rs.1,00,52,781/- B) Charges for overseeing admission process Rs.8,82,60,000/-
h)	Rs.4,19,47,464	Addition out of net of 'Hostel Fees Received'
i)	Rs.22,41,653	Addition on the 'Interest on Loans and advances'.

3. Aggrieved by the addition/ disallowances in the assessment order, the assessee filed appeal before the Ld. CIT(A), wherein all the aforesaid additions/ disallowances were deleted. Aggrieved by the order of the Id. CIT(A) the Revenue has filed present appeal before this Tribunal.
4. We have heard the submissions of Ld. Commissioner of Income Tax & Departmental Representative (CIT DR) for the Revenue and the Ld. Authorized Representative (AR) for the assessee.
5. Ground no.1 relates to deleting the disallowance of donation of Rs.83,019/-. The facts relating to the addition is that during assessment the Assessing Officer (AO) recorded that assessee in its computation of total income claimed expenses of Rs.83,019/- on account of donation and charity. The AO further recorded that during assessment the assessee has not explained justification of donation and disallowed such claim. On appeal before Ld. CIT(A) the assessee submitted that AO has not considered real facts and made the addition/disallowance which is not justified being arbitrary. Complete details including books were produced before the AO, which were not seen by him. The amount has been charged to receipts and payments account and rebate and concession on fees to those students having poor financial background. Details of which were furnished before AO during the assessment. The Ld.CIT(A) after considering the submission of assessee recorded that he perused the reply of the assessee and other details furnished during assessment before AO. The Id. CIT(A) recorded that for allowability of expenditure, it should have been incurred wholly and exclusively for the purpose of assessee-trust. The assessee has given

donation in furtherance of their object. Since there is no evidence on record that donation/alleged rebate was not given in furtherance of object, it was allowable. On the basis of such finding such the Ld. CIT(A) allowed full relief to the assessee. Hence, revenue is appeal.

6. The Ld. CIT-DR for the revenue submits that assessee has not provided required details. The Ld. CIT(A) allowed relief to the assessee on the basis of submission of assessee. The Ld. CIT DR prayed for restoring the addition made by the AO.
7. On the other hand, the Ld. AR of the assessee submits that before making submission on merit, he would like to bring certain fact on record. By referring para 2 & 3 of assessment order, the Ld. AR of the assessee submits that assessee trust/society was set up in 1995. Object of the society is to run educational institution, which is not in dispute. The assessee is registered with Registrar of Society to pursue various objects as per their memorandum. One of the main objects of assessee-trust is for imparting higher education in the field of Medical and Engineering. The assessee was having registration under section (u/s) 12A/12AA which was allowed vide order dated 11.09.2000 effective from 01.04.1999. However, later on the proposal of the AO, registration of assessee u/s 12AA, was cancelled vide order dated 15.12.2008 by CIT(E). However, on appeal before Tribunal, the order of CIT(E) in cancelling the registration was set aside in ITA No. 64/Luc/ 2009 vide order dated 17.04.2009, copy of which is placed. Against the order of Tribunal appeal of Revenue is still pending before High Court of Allahabad.

Facts remained the same that as on the day of assessment, the assessee was having valid registration u/s 12AA of the Act as order of CIT(E) in cancelling registration was set aside. The assessee-trust was eligible of application of income as per section 11 of the Act. Object and activities of the assessee are not in dispute. The AO proceeded on the basis of his notion that order of Tribunal is under challenged before High Court. The AO treated the assessee as AOP and made various additions/ disallowances, despite the facts that assessee was having valid registration under section 12AA. The AO not allowed application of income under section 11/12 of in AY 2008-09, 2009-10 and in 2010-11, however on appeal before Id CIT(A) the assessee was allowed relief and further appeal of revenue before Tribunal was dismissed, copies of order of Tribunal is already placed on record. These primary submissions are common in respect of all the ground of appeal raised by the revenue.

8. On disallowance of donation, which is the subject matter of ground No.1, the Ld. AR of the assessee submits that during assessment the assessee provided complete details about rebate and concession in the fees to various poor student which was claimed as donation. Such fact is duly acknowledged by Ld. CIT(A) as he is in his order has clearly recorded that he perused the reply and details which were furnished to AO. There is categorical finding of Ld. CIT(A) that the donations were given by assessee trust in furtherance of their object. The AO made addition in arbitrary way without appreciation of fact.
9. We have considered the rival submission of both the parties and have gone through the orders of lower authorities carefully. We find that AO disallow

the claim of donation simply by taking view that assessee has not explained or justification of donation. Assessing Officer has not recorded that any reply or books of account was furnished or not. We find that Ld. CIT(A) while allowing the relief to the assessee clearly held that assessee has given donation in accordance with its object. We further find that claim of assessee is actually based on rebate given to the student having poor financial background. Thus, we do not find any reason to interfere with the order of the CIT(A). On independent appreciation of facts, we do not find any reason to interfere with the order of Id. CIT(A). No contrary facts or law have been brought to our notice to take other view. In the result, ground no. 1 of the appeal is dismissed.

10. Ground no. 2 relates to deleting the disallowance of advertisement expenses of Rs. 13.29 crores. Facts leading to this addition/ disallowance are that during assessment the AO noted that there is extraordinary expenditure on account of advertisement expenses of Rs. 13.29 crores. The assessee was asked to explain the genuineness of such expenses and why it should not be disallowed. The assessee in response to show-cause notice submitted that due to competition in the market on account of new educational institution throughout the country, the assessee incurred such expenses, the assessee made publicity in print and electronic media (Newspaper & TV). Due to which the number of students increased. The expenses were incurred wholly and exclusively and were allowed up to AY 2011-12. A comparative chart of comparable receipt and advertisement expenses were furnished along with reply. The assessee also took plea that they incurred huge expenses on

account of branding and advertisement to make the name of Maharana Education Centre and its new venture Pratap University Jaipur Global. The assessee hired Maharana Infrastructure & Professional Services Pvt. Ltd. (MIPS). The PAN number of MIPS was provided. The AO on considering the submission of assessee recorded that he obtains certain report from Registrar of Companies (ROC), wherein promoters of advertising company and members / promoter of assessee-society are common. They are related party as per section 40A(2)(b) of the Act. There is other company which includes Ess Bee Media Pvt. Ltd, who ultimately rendered such services, and wherein Shailendra Bhaduria & Surbhi Bhaduria are common Director who are related parties. The assessee executed a Master Service Agreement with MIPS and payments were made to EssBee Media which was incorporated later on. Master Service agreement between assessee and MIPS was executed on 29.03.2011 for providing various activities like different services, advertisement and maintenance was assigned to such companies. One of the Managing Director is related party with the member of assessee society. The AO was of the view that payments made to such parties are in violation of section 13(1)(c) of the Act. MIPS has procured services from EssBee Media at a much lower cost and this has been done to benefit persons defined u/s 13(3) of the Act. The AO further recorded certain details were not provided which were called for and thereby disallowed Rs.13.29 Crores being in violation of provision of section 13(c) & 13(3) of the Act.

11. On appeal before Ld. CIT(A) the assessee filed detailed written submission.

The assessee stated that their written submissions were not considered by

AO. The observation of AO while making disallowance is not correct. The provision of section 13(1)(c) is violated only if amount paid is not reasonable for the services rendered by the persons as provided u/s 13(2) of the Act. The additions were made simply on the ground that amount paid to company in which Shailendra Bhaduria is one of the Director. No reference has been made or obtained from market price of the services rendered or the expenditure claimed. The AO has not made any effort whether expenditure incurred on advertisement is on higher side in comparison to price prevailing in the market. No comparison has been made for the price paid for the comparison of prevailing price in the market, how one can make the judgment that expenditure paid is excessive or unreasonable. There must be some basis or parameters to check the un-reasonability so that it can be said to be high, excessive, and arbitrary. The AO was required to specify about the excess amount paid with unreasonableness and could be disallowed to that extent. The assessee had an agreement with MIPS for performing the advertisement part because (i) MIPS in house marketing team has strong tie up with leading newspaper brand like Dainik Jagran, Amar Ujala, Hindustan Times, Time of India and various other daily newspapers. MIPS also used Bhutan newspaper 'Kuensel' to promote educational activities run by group entity, (ii) apart from aforesaid newspapers and publications they published advertisement in National Duniya, (iii) in order to provide advertisement service, the assessee also obtained quotation from third party, which were on higher side. MIPS purchase advertisement space in bulk on regular basis for all education institutions so they have better bargaining deals with the news

agencies. The cost incurred for advertisement expenses were reasonable looking at the competitive market because of opening of new education institution throughout the Country. There is always chance of lesser admission so it was a requirement for advertisement. To fulfill the object of the society minimum number of students are always required and advertisement is one of the tools by way of which admissions are possible, expenses were incurred on executing agreement with MIPS. The cost paid to MIPS is on lower side as compared to the market rate obtained by inviting third party quotation. In case assessee society goes to direct deal, the deal would have been at higher market rate. Reason behind it is that MIPS exclusively availing in advertisement on lesser amount. The assessee also reiterated various submissions and submitted that AO has not made any effort to bring on record that rates paid for advertisement are not justified. No rates are called from media companies for such type of advertisement which is utmost requirement before giving this finding. No data is collected by the AO. The AO is not justified in making disallowance of exemption made under section 11 without bringing on record any material to prove that payment to the MIPS for advertisement of the society is an unreasonable or excessive in term of section 13(2)(c) of the Act. The assessee also stated that in earlier years it was allowed. In all fairness submitted that *res-judicata* is not applicable in Income tax proceeding but rule of consistency should have been maintained by tax authorities. The assessee also relied on case law of Delhi High Court in CIT vs. Escorts Ltd. (338 ITR 435). The assessee also submitted that MIPS is taxed at maximum marginal rate i.e. @33.33%.

MIPS has declared taxable income for same assessment year at Rs.37.64 crores and paid tax of Rs.12.21 crores. The ITR of MIPS was also furnished. The AO failed to establish that payment made to MIPS is more than the fair market value as per section 40A(2)(b) of the Act. The Id. CIT(A) on considering the submission of the assessee recorded that AO has accepted the genuineness of expenditure but question the reasonableness. To appreciate the stand of AO it is important to know the position of law on the subject. The CIT(A) recorded that it is settled law that transaction with a specified person alone will not attract the provision of section 13(1)(c) of the Act, unless the undue benefit derived by interested persons and adequacy of the amount being paid, are two very important questions of relevance. To support such view, the Id. CIT(A) relied on decision of jurisdictional High Court in DIT vs. Parivar Sewa Sansthan (118 taxman 587). The Id. CIT(A) also recorded that the AO before making addition started verification about extraordinary amount paid, however, while making addition, additions were made for violation of provision of section 13(1)(c) that MIPS & EssBee Media Pvt. Ltd. are covered under section 13(3) of the Act. The AO held that MIPS had shown sale of services of Rs.11.38 Crores, who in turn purchase services from Ess Bee Media at Rs.7.34 Crores which was the basis that transaction is not at arm's length and held excessive. In order to justify the expenses incurred on advertisement is reasonable, the assessee submitted independent report of 'Grant Thornton' during assessment, which contained the detail analysis given on arm's length price purchased by MIPS from assessee for providing various services. The AO not considered this report while passing

the assessment order. The AO is silent on this report. On perusal of such report, the Ld. CIT(A) find that such report was prepared with transfer pricing document in term of section 92D read with Rule 10B about the Specified Domestic Transactions (SDT) and is limited to Associated Enterprise describe in the report to justify the arm's length price. The Ld. CIT(A) also given certain observation on SDT. The Ld. CIT(A) concluded that AO without going into the merit of the case made addition simply on the ground that difference in purchase and sale of services rendered by MIPS and deleted the entire disallowances. Aggrieved by the order of Id. CIT(A), the revenue is in appeal before us.

12. The Ld. CIT DR for revenue supported the order of AO. The Id CIT-DR for the revenue submits that AO made addition by bringing the fact on record that MIPS & EssBee Media Pvt. Ltd., both the entities are controlled by these specified persons mentioned in section 13(3) of the Income Tax Act. The Ld. CIT(A) allowed relief to the assessee simply relying on report of consultant about justification of price of services rendered by MIPS & EssBee Media Pvt. Ltd. The case law relied by Ld. CIT(A) are not applicable on the facts of the present case as the facts of those cases are at variance.

13. On the other hand, the Ld. AR of the assessee supported the order of the CIT(A). The Ld. AR of the assessee submits that AO while making addition disregarded on the submission and the supporting evidence. The assessee before AO furnished all required details. The AO simply brushed aside all the evidences. The assessee substantiated the fact that MIPS is expert in advertisement and marketing. The services availed from MIPS is not

disputed by AO. The reasonableness of expenses is also not doubted. The assessee furnished complete details of the payments made against the services rendered by MIPS. The AO was very well aware that at the time of passing assessment order the assessee was having valid registration under section 12AA which was restored by Tribunal. The related party is paying tax at maximum marginal rate. The MIPS has shown taxable income of Rs.37.64 crore and paid a tax of Rs.12.21 crores. There is no loss to Revenue. The assessee being a charitable Institution is exempted from taxation. Once this genuineness of the services or expenditure is not doubted, questioning reasonableness is without basis. To substantiate the reasonableness the assessee furnished the report of independent person namely 'Grant Thornton' who carried out detailed analysis. Such report was obtained in order to justify the requirement of arm's length price. In order to requirement of specified domestic transaction no comparable instances were examined by AO. The AO simply held that assessee has given benefit to the persons which are related party as per section 13(3) of the Act.

14. We have considered the rival submissions of the parties and have gone through the orders of lower authorities carefully. We find that basis of disallowance is mainly for the reasons that amount paid to MIPS in which Shailendra Bhaduria is one of the Director. The AO treated the assessee as AOP instead of eligible assessee having valid registration under section 12AA. The Id. CIT(A) allowed relief after detailed discussion. We have independently examined the facts of the case. In order to made addition on the ground that undue benefit is given to persons specified under section 13(3), in our view

unless the payments made to such party is unreasonable no such disallowances are permissible. To make the addition on the basis of reasonable or unreasonable basis, there must be sufficient material to disbelieve the material placed before the AO. The Delhi High Court in case of DIT vs. Pariwar Sewa Sansthan (supra) held that once the rent paid was reasonable on the basis of location and same is not excessive, the exemption could not be denied. Provision of section 13(1)(c) of the Act do not restrict any commercial transaction when specified person and simply no benefit is passed on account of such transaction to the specified person. Further, Bangalore Tribunal in Shubhram Trust vs. DIT(Exemption) (317 ITR (AT) 65), held that wherein the trustee had let out rent to the assessee trust on rent and not only to the same rent was paid by the trustee, exemption cannot be forfeited unless unreasonableness is established. We find that once the services rendered by MIPS are not disputed the payment made against such services cannot be doubted or disallowed. No comparable instances have been made or obtained for market price of the services rendered or the expenditure claimed. The AO has not made any effort whether expenditure incurred on advertisement is on higher side in comparison to price prevailing in the market. No comparison has been made for the price paid for the comparison of prevailing price in the market, how one can make the judgment that expenditure paid is excessive or unreasonable. There must be some basis or parameters to check the un-reasonability so that it can be said to be high, excessive, and arbitrary.

15. We find that Rajasthan High Court in CIT Vs Shri Ramdoot Prasad Sewan Samiti Trust (2023) 450 ITR 288 (Raj) held that where rates of purchases by the assessee trust from related party were same as with unrelated party, provisions of section 13(2) (g) were not attracted. Further Hon'ble Jurisdictional High Court in CIT Vs IILM Foundation (2025) 174 taxmann.com 605 (Delhi) also held that where the salary paid to its Chairperson as per her qualification, experience and active involvement and contribution in activities, it could be said payment was reasonable and it did not violate provisions of section 13(1)(c) and exemption under section 11 and 12 could not be denied. Thus, we do not find any merit in the grounds of appeal raised by Revenue. No contrary facts or law is brought to our notice to take other view. In the result, this ground of appeal raised by the Revenue is dismissed.

16. Ground no.3 relates to deleting the addition of Rs.3.53 Crores on account of addition of Royalty. Brief facts of the case leading to addition are that assessee debited Royalty expenses of Rs.3.53 Crores. Such royalty payments were made to Maharana Infrastructure & Professional Services Ltd. Such payment was made pursuant to agreement. No contrary facts or law have been brought to our notice to take other view. Ed between assessee and Maharana Professional & Infrastructure Services (MPIS) Pvt. Ltd. which is named as trade mark user agreement effective from 01.04.2011. The AO further noted that date of assignment relating to trade mark was executed by Shailendra Bhaduria and MIPS Pvt. Ltd. Shailendra Bhaduria is founder member of assessee as well as MIPS Pvt. Ltd. The words 'Maharana Pratap'

was in the name of the assessee from 1995. The company MIPS Pvt. Ltd. acquired of trade mark by promoter by virtue of date of assigning executed on 31.03.2011. The royalty is paid @4% of the fees from student for relevant quarter. The AO asked the assessee to justify the payment of royalty. The AO recorded that no reply was furnished by assessee. The AO disallowed such royalty payment by taking view that benefit is given to the related persons. On appeal before CIT(A) the assessee filed detailed written submission. The assessee in its submission submitted that expenses were disallowed on presumption and arbitrary basis which are unjustified. The AO is not correct by disallowing expenditure without appreciating the fact and material on record. The observation of AO is not correct. The assessee was not given sufficient opportunity to prove that royalty was given in arm's length price and less than the market value. The addition is made simply on the ground that royalty is paid to the company in which Shailendra Bhaduria is one of the Directors. No effort is made by the AO if royalty is on higher side. The assessee also relied on certain case law. The provision of section 13(1)(c) stated to be violated only if amount paid is not reasonable for the services rendered by persons covered and section 13(3). The AO merely referred to the provision of section 13(1)(c) overlooking the provision of section 13(2) of the Act. The assessee also explained the basis of payment of royalty. The Ld. CIT(A) on considering the submission of assessee held that assessee entered into agreement with MPIS Pvt. Ltd. in trade mark user agreement. The date of assigning was executed between the parties for payment of royalty @4% of the fees of the student. The AO has not made

any effort to doubt the genuineness of agreement. The Ld. CIT(A) held that it is extremely difficult to establish that actual market rate of any intangible asset like trade mark whose value is purely on the basis of goodwill accumulated by the person owning the brand. Value of such transaction for the acquisition of brand in lieu of royalty, commercial prudence of only of the person who entered into such contract is a material fact. The AO cannot sit on the chair of assessee and to decide unreasonableness or reasonableness of the payment made unless there is a cogent material with AO and deleted the entire addition. Aggrieved by the action of the Ld. CIT(A) the Revenue is in appeal.

17. The Ld. CIT DR for the Revenue supported the order of the AO. The Ld. CIT-DR submits that the word "Maharana Pratap" were already in the name of the society from 1995 and the assessee could not explain the reason as to why the society is paying royalty on its own name and reason for entering into Trademark Agreement with the founder member Shailendra Bhaduria. MSA and Trademark Agreement were signed by Dr. Om Prakash on behalf of the assessee after its establishment in 1995, however, it is not clear who authorized him to sign those agreements on behalf of society. Thus, Shailendra Bhaduria is direct beneficiaries of deed of assignment & indirect beneficiary. Thus, the royalty payment is in violation of section 13(1) r.w.s 13(3) of the Act.

18. On the other hand, the Ld. AR of the assessee supported the order of the Ld. CIT(A).

19. We have considered the rival submissions of both the parties and perused the order of lower authorities carefully. We find that basis of addition and basis of deletion is explained by both the Ld. Representatives of the parties. We find that Id CIT(A while allowing relief to the assessee clearly held that held that assessee entered into agreement with MPIS Pvt. Ltd. in trade mark user agreement. The date of assigning was executed between the parties for payment of royalty @4% of the fees of the student. The AO has not made any effort to doubt the genuineness of agreement. The Ld. CIT(A) held that it is extremely difficult to establish that actual market rate of any intangible asset like trade mark whose value is purely on the basis of goodwill accumulated by the person owning the brand. Value of such transaction for the acquisition of brand in lieu of royalty, commercial prudence of only of the person who entered into such contract is a material fact. The AO cannot sit on the chair of assessee and to decide unreasonableness or reasonableness of the payment made unless there is a cogent material with AO. We find that before making disallowance the AO has not brought any adverse material on record. The AO has not given any comparable instances as to why the Royalty payment is on higher side. Even otherwise, if it was on higher side only, the portion of unreasonable payment could be disallowed and not the entire payment of royalty. Thus, we do not find any reason to interfere with the order of Id CIT(A), which we affirm. In the result, the ground pf appeal is dismissed.

20. Ground no.4 relates to deleting the addition of depreciation on branding of Rs.1.23 Crores. Fact relating to this addition are that in the depreciation

chart annexed with the computation of total income the assessee has shown branding of asset at Rs.24.78 Crores and claimed depreciation @10%. On show cause the assessee stated that branding has arisen due to heavy promotional and branding expenditure on account of newly added campus and Pratap University run under the banner of Maharana Educational Centre (Assessee). The Pratap University a significant part of Maharana Pratap Education Centre started in 2011 and became operational in financial year under consideration. Due to new entry at a new geographical location and for emerging challenges trade and education sector Maharana Pratap Education Centre make a significant expenditure on account of branding to make its global presence. Benefit of huge promotional expenditure on account of branding was accepted to be derived over coming financial year. Thus, instead of charging entire amount income and expenditure account in a single financial year, the amount has been spread over for coming financial years to match the Revenue of corresponding cost. Such practice was adopted by following principle of matching cost. The AO was of the view that assessee has not furnished service agreement under which huge expenditure has been claimed. The AO thereby disallowed 50% out of the claim of depreciation as claimed by the assessee. During the first appeal before IdCIT(A), the assessee stated that AO is not correct by disallowing depreciation on branding without considering the fact and without referring the prevailing market rates. There is no material on record to justify such *ad-hoc* disallowances. The assessee incurred expenditure on branding for newly added campus run under the banner of Maharana Pratap Education

Centre (Society Trust) and capitalized the same and claimed depreciation. Pratap University has been operational under the financial year under consideration. Due to new entry at a new geographical location and due to new emerging challenges in the education center society was forced to make significant expenditure on account of branding. The addition is made on *ad hoc* basis. The Ld. CIT(A) on considering the submission of assessee recorded that due to addition of new campus under the banner of assessee society the assessee incurred substantial expenditure. As benefit of this substantial expenditure on account of brand name was accepted to be derived over coming many financial years therefore, instead of charging of entire amount in the income and expenditure account as a revenue expenditure, the amount has been spread over for a period of 4 financial years for matching the revenue with corresponding cost. Such practice has been adopted to follow the accounting principle of matching cost by the assessee. The AO made addition just for the sake of addition. The AO is not sure as to why this addition is being made. The provision of section 13(1)(c) and 13(3) are not applicable. The disallowances made on *ad hoc* basis there is no reasonableness. There is no dispute that expenditure has been incurred for the purpose of object of the society. The accounts of the assessee are duly audited. Complete details of expenses were furnished. The AO has not specified any specific defect. AO failed to bring out any material on record to prove that expenses are not verifiable. No disallowance can be made on vague grounds. The Ld. CIT by following the decision of J.J. Enterprises vs. CIT (254 ITR 216) (SC) deleted the entire *ad hoc* disallowance on such

depreciation charged on branding expenses. Aggrieved by the order of CIT(A), the Revenue is in appeal before us.

21. The Ld. CIT DR for the Revenue supported the order of the AO. The Ld. CIT DR for the revenue submitted that AO was reasonable in making a disallowance on branding expenditure.

22. On the other hand, the Ld. AR of the assessee supported the order of Ld. CIT(A). The Ld. AR of the assessee submits that in fact the expenditure incurred on brand has not been disputed by AO. There is no logic to disallow such depreciation claimed on branding by assessee. The AO made an addition only for the purpose of making an addition. There is no basis for *ad hoc* disallowance of depreciation.

23. We have considered the rival submission of both the parties and gone through the order of lower authorities. We find that the AO made addition just for the sake of addition, he was not sure as to why this addition is being made. The provision of section 13(1)(c) and 13(3) are not applicable. The disallowances made on *ad hoc* basis there is no reasonableness. Thus, we affirm the order of Ld. CIT(A). No contrary facts of law are brought to our notice to take other view. In the result, this ground of appeal is also dismissed.

24. Ground no.5 relates to deleting the addition of curriculum development charges. Facts relating to the disallowance of curriculum charges are that AO during the assessment disallowed Rs.2.973 lakhs on account of curriculum development charges by taking view that in the depreciation chart the assessee has claimed development charges of asset at Rs.4.87 Crores and

claimed depreciation on account of development of curriculum charges at Pratap University Jaipur. On show cause notice the assessee explained the fact as expenditure for claim of depreciation on branding. The assessee also claimed that curriculum has been developed by expert team owned by MIPS having no registered office in Noida. The assessee furnished ledger account of Pratap University, wherein expenses of Rs.2.37 Crores was shown on which depreciation @25% was claimed. The AO disallowed 50% of such depreciation simply by taking view that provision of section 13(1)(c) and 13(3) are applicable. On appeal before Ld. CIT(A) the assessee reiterated its submission as submitted for disallowance on depreciation on branding. The assessee stated that there was no basis for allowing 50% of depreciation on such curriculum charges when the expenditure itself was not disputed. The Ld. CIT(A) on appreciation of fact held that there is no dispute about expenditure incurred for the purpose of object of the society. Assessee society is maintaining on record for evidence has not doubted for no adverse comment is given by auditor. There is no logic for making *ad hoc* disallowance and allow relief to the assessee. Aggrieved by the action of the CIT(A) the Revenue is in appeal.

25. The Ld. CIT DR for the Revenue supported the order of AO.

26. On the other hand, the Ld. AR of the assessee submits that once the expenditure has not been disputed. No material is brought on record that expenditure is unreasonable. There is no application of section 13(1) or 13(3) of the Act. There is no basis for disallowance of depreciation that two on *ad hoc* basis.

27. We have considered the submission of both the parties and have gone through the orders of lower authorities carefully. We find that the AO the AO disallowed 50% of depreciation of development of curriculum charges simply by taking view that provision of section 13(1)(c) and 13(3) are applicable. The Ld. CIT(A) allowed relief to the assessee by taking view that there is no dispute about expenditure incurred for the purpose of object of the society. Assessee society is maintaining on record for evidence has not doubted for no adverse comment is given by auditor. There is no logic for making *ad hoc* disallowance and allow relief to the assessee. On independent consideration of facts, we find that when the addition to the curriculum activities was not disputed, there was no justification for making *ad hoc* disallowances. No contrary facts or law is brought to our notice to take other view. Hence, we affirmed the order of IdCIT(A). In the result, this ground of appeal is also dismissed.

28. Ground no. 6 relates to deleting *ad hoc* disallowance of 20% of various expenses. Facts leading to the additions are that assessee has debited various expenditures consisting of accommodation facilities of rupees more than one lakh, charges for admission process, HR facility, Mess outdoor catering and Mess and canteen expenses aggregating of Rs.13.48 crores. Such expenses were incurred by way of Master Service Agreement between assessee and MIPS Pvt. Ltd. The AO disallowed 20% of such expenses by taking view that payments were made in violation of provision of section 13(1)(c). Aggrieved by the additions/disallowances, the assessee filed appeal before CIT(A). Before CIT(A) the assessee stated that the *ad hoc*

disallowance was not justified to an expenditure were incurred not disputed. There is no violation of provision of section 13(1)(c). AO made addition without any material on record. The assessee was having agreement with MIPS for rendering various services. Services rendered are not in dispute. The expenses were incurred for the purpose of object of the society. The Ld. CIT(A) on considering the submission of assessee held that expenses were incurred by assessee society for its object. The AO made addition just for the sake of making addition. There is no justification of making ad hoc disallowance. There is no dispute that expenditure was incurred and expenses are supported with evidence. AO has not pointed out any defect. Aggrieved by the action of CIT(A) the Revenue has raised this ground of appeal.

29. The Ld. CIT DR for the Revenue supported the order of AO and prayed that disallowance was made on reasonable basis. The provision of section 13(1) & 13(3) is attracted.

30. On the other hand, the Ld. AR of the assessee supported the order of CIT(A). The Ld. AR of the assessee submitted assessee incurred such expenses for the purpose of its objects. The AO has not disputed the expenses and merely without specifying any reason disallowed 20% of aggregate expenses. All the expenses incurred were for the purpose of day-to-day affairs of assessee society which were incurred in furtherance of its objects. Once reasonableness and necessity of expenses are not doubted, no *ad hoc* disallowance is permissible.

31. We have considered the rival submissions of both the parties. We find that

AO made addition of 20% of expenses claimed on various heads i.e. on account of accommodation facilities, charges for admission process, HR facility, Mess outdoor catering and Mess and canteen expenses aggregating of Rs.13.48 crores. The AO was of the view that provision of section 13(1) & 13(3) is applicable as there is common director/ member in the company as well as in the assessee society. The Ld. CIT(A) allowed relief to the assessee by holding that there is no violation of provision of section 13(1)(c). The AO made addition without any material on record. The assessee was having agreement with MIPS for rendering various services. The expenses were incurred for the purpose of object of the society. The expenses were incurred by assessee society for its object. There is no justification of making ad hoc disallowance. There is no dispute that expenditure was incurred and expenses are supported with evidence. The AO has not pointed out any defect. On independent consideration of fact, we find that when services rendered by MIPS is not disputed nor comparable instances for payment being excessive for such services were brought on record, there was no justification of making such disallowance. Thus, we affirm the order of CIT(A). In the result, ground no.6 of the appeal is dismissed.

32. Ground no.7 relates to deleting addition of Rs.4.19 crores of hostel activities.

The facts related to leading this addition is that assessee has received hostel fees of Rs.6.02 crores. The AO was of the view that assessee is not doing charitable activities and activities of hostel are in the nature of trade and business. The assessee is required to maintain separate books of account.

The AO also recorded that complete details were not furnished. The AO recorded following detail and out of certain receipt disallow 20% and added Rs.4.19 crore in the income of assessee in the following manner:

Hostel fees received		60232680
Less – Expenses		
Hostel rent	6000000	
Hostel Mess expenses	1000962	
Security charges (20% of 5571139)	1114228	
Newspaper expenses (20% of 181797)	36350	
Electricity (20% of 5501517)	1100303	
Generator running maintenance (20% of 2576946)	515389	
Housekeeping (20% of 1945122)	389024	
Salary expenses (5% of 162579191)	8128960	18285216
Hostel Income		41974464

33. Before Id. CIT(A) the assessee submitted that figure adopted by AO is not correct. The AO taken figure of receipt at Rs.6.02 crore, however, actual receipts are Rs. 29.06 crore. The assessee furnished comparative chart of actual figures and the figures taken by AO as recorded by CIT(A) on page 29 of his order. For appreciation of fact the same is recorded herein below:

Particulars of Income	Hostel fees by taken by AO	Actuals
Hostel fees	60232680.00	290649056.00
Particulars of Expenditure	Expenditure figure taken by AO	Actuals
Hostel rent	6000000.00	6000000.00
Hostel Mess exps.	1000962.00	1000962.00
Security charges	5571139.00	1002805.00
Newspaper expenses	181797.00	27270.00
Electricity	5501517.00	1925531.00
Generator running maintenance	2576946.00	1932710.00

Housekeeping	1945122.00	1361585.00
Salary expenses.	162579191.00	24386879.00

34. The assessee further stated that additions were made in an arbitrary manner.

The assessee is running educational institution in the name of Maharana Pratap Education Centre. The assessee having registration under section 12A. The separate books of account in relation to hostel facilities are maintained. Thus, the observation of AO is that no separate books are maintained is not correct. The hostel facilities are integral part of Medical and Engineering institutions. Without such facilities, Medical or Nursing college cannot be approved from Medical Council and Nursing Council of India. The assessee also furnished the audited statement of hostel building. The assessee also relied on the decision of Bombay High Court in DIT(E) vs. LalaLajpatRai Memorial Trust dated 13.04.2016, wherein it was held that if predominant purpose is charitable, earning of profit from an incidental activity like letting of property does not occur charitable status. And in case of Symbiosis Society, Pune vs. DIT dated 10.01.2012, wherein it was held that when assessee trust was undertaking various activities like placement, sports and cultural programme and various other promotion activities were not in a commercial land being part of main activities. The assessee also relied on CBDT Circular No.11/2008. The Ld. CIT(A) on considering the submission of assessee held that a bare reading of assessment order on this addition shows that AO was not clear, what he wanted to do and from where he did get the figures from. As per the submission of assessee the actual receipt of Rs. 29.06 crore as per audited financial statement, whereas the AO has taken a figure of Rs.6.02 crore. The basis of AO is itself wrong. The AO

has not given any reason for 20% disallowance of various expenses. Action of AO is arbitrary and uncalled for. In fact, without hostel facility, it is not possible to run a medical college. Imparting education is one of the charitable activities of the assessee. As the AO has not given any reasoning thus, the addition is not correct and was deleted by Ld. CIT(A).

35. The Ld. CIT DR for the Revenue supported the order of AO.

36. On the other hand, the Ld. AR of the assessee supported the order of Ld. CIT(A). The Ld. AR of the assessee submitted that running of educational institution including medical and engineering college are object of the assessee. Hostel is an integral part of medical college. The AO made addition on arbitrary manner. The Ld. CIT(A) appreciated the fact and allowed relief to the assessee which may be affirmed.

37. We have considered the rival submission of both the parties and have gone through the orders of the lower authorities carefully. We have also deliberated on case laws relied by assessee before CIT(A). As recorded above, the AO made addition by taking wrong figure without assigning source of such figures. We find that before Ld. CIT(A) the assessee furnished complete details and total receipt of hostel accommodation as recorded by Ld. CIT(A) in his impugned order. We find that hostel facility is an integral part of education institutions. Hence, there was not justification of addition of such figure. The assessee is running various institutions and maintained separate statement of accounts of hostel. Further, we find that AO disputed various receipts of expenditure in an arbitrary manner and made addition. The Ld. CIT(A) on appreciation of fact gave a categorical finding that action of

AO is totally arbitrary. No contrary facts was brought to our notice by Id. CIT(A). Thus, we affirm the order of Ld. CIT(A). In the result, this ground of appeal is also dismissed.

38. We may also note that at the time of assessment the assessee was having registration under section 12AA which was restored by the order of the Tribunal. Thus, the AO instead of treating the assessee as eligible assessee for claiming benefit of application of income under section 11/12 treated as AOP and made various aforesaid addition without bringing any adverse material on record. We further find that application of income was also disallowed to assessee in AY 2008-09 & 2010-11, however, on further appeal before CIT(A) the assessee was allowed relief on application of income under sections 11 & 12. And on further appeal of Revenue before Tribunal was dismissed vide order dated 23.05.2014 in ITA No.132/Lkw/2012 for AY 2008-09 and vide order dated 05.06.2015 in ITA No.758/Lkw/2014 for AY 2010-11. Thus, on the principle of consistency the assessee was eligible for application of income under section 11 & 12 when the assessee was having registration u/s 12AA. Thus, we also hold that there was no justification of making such additions and disallowance. However, we confine our order only, qua the grounds of appeal before us. Thus, the order of Ld. CIT(A) is also confirmed with on our additional observation.

39. In the result, appeal of the Revenue is dismissed.

Order pronounced in the open court on 28.11.2025

Sd/-
(BRAJESH KUMAR SINGH)
ACCOUNTANT MEMBER

Sd/-
(PAWAN SINGH)
JUDICIAL MEMBER

Dated: 28.11.2025

**Kavita Arora, Sr. P.S*

Copy forwarded to:

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

ASSISTANT REGISTRAR
ITAT, NEW DELH