

Spandana Rural And Urban Development vs Assessment Unit

ID: F2J-C-2419 Court: Telangana High Court

Case: Writ Petition No.28734 of 2025 Date: 2025-09-23

Complete searchable public court-text reproduction. This clean reference PDF is generated by Finin2min; the linked public source remains controlling.

[Cites 7, Cited by 0]

Telangana High Court Spandana Rural And Urban Development ... vs Assessment Unit on 23 September, 2025 THE HON'BLE THE CHIEF JUSTICE SRI APARESH KUMAR SINGH AND THE HON'BLE SRI JUSTICE G.M.MOHIUDDIN

Writ Petition No.28734 of 2025

ORDER: Ms.Akruti Agarwal, learned counsel for the petitioner. Mr.Vijhay K.Punna, learned Senior Standing Counsel for Income Tax Department appears for respondents No.1 to 3, virtually.

2. The petitioner - assessee has assailed the order dated 23.08.2025 passed on the stay application by the Commissioner of Income Tax (Exemption), Hyderabad [for short, 'the CIT (Exemption)'], in respect of the outstanding amount of Rs.53,74,67,120/- relatable to the assessment year 2023-24.

3. The impugned order reads as under:

"GOVERNMENT OF INDIA MINISTRY OF FINANCE INCOME TAX DEPARTMENT CIT (EXEMPTION), HYD

2 To, SPANDANA RURAL AND URBAN DEVELOPMENT ORGANISATION
Plot No.31 and 32, Ramky Selenium Towers Tower-A, Ground Floor, Financial Dist.Manuu S.O. GACHIBOWLI HYDERABAD 500032, Telangana
India PAN: Assessment Dated: DIN & Letter No:

AABTS9855J Year: 23/08/2025 ITBA/COM/F/17/2025-

2023-24 26/1079923109(1)

Sir/Madam/M/s.

Subject:Online service of Orders - Letter Sub: Decision on Stay Application - Request for Partial Payment - Reg.-

This is with reference to your application for stay of collection of taxes, submitted before the Commissioner of Income Tax (Exemptions), Hyderabad. As per this the demand payable are as under:

Asst.year Outstanding demand 2023-24 53,74,67,120

After carefully examining all relevant facts and circumstances of your case, and also considering the recent order of the Hon'ble Andhra Pradesh High Court in the case of M/s. The General and Technical Education society (IA No.1 of 2025 in W.P.No.12728 of 2025) and also considering the Hon'ble High Court of Telangana order in the case of Zoos and Parks Authority of Telangana v. CIT (E) (2024) 467 ITR 235 (Telangana)(HC), your stay application has been considered.

It is, therefore, decided that your stay petition is considered provided you pay an amount of Rs.80000000/- on or before 01.09.2025 and produce copies of challans before the Assessing Officer of your case and marked a copy to the undersigned. Please note that if you fail to comply with this directive by the due date, the Assessing Officer will be at liberty to initiate 3 coercive recovery proceedings under Section 226(3) of the I.T.Act, 1961 without any further communication. Further you are informed to treat this matter with urgency and ensure compliance within the stipulated timeframe to avoid any further action by the Department.

BALA KRISHNA BATTULA CIT (EXEMPTION), HYD"

4. Learned counsel for the petitioner has drawn the attention of this Court to the stay application, which is at Annexure P8.

5. The relevant part of the stay application is also extracted hereunder:

"3. For AY 2023-24 the assessee filed its return of income on 30-11-2023 u/s 139(4A) admitting NIL income. The case was selected for compulsory scrutiny for verifying six issues mentioned on pages 1 and 2 of the assessment order. During the course of assessment proceedings, the assessee filed evidences required and also clarifications on various issues raised by the AO. The assessment was completed u/s 143(3) r.w.s. 144B vide order dated 20-03-2025 and the total income was determined at Rs. 93,38,67,867/- by making addition on two grounds i.e., Rs. 4,68,28,788/- representing surplus income and addition of Rs.88,70,39,079/- being capital expenditure disallowed u/s 13(10) r.w.s 13(8). The penalty proceedings u/ s 270A were also initiated.

4. From the assessment order, it may kindly be seen the addition made by the AO are on misinterpretation of provisions of section 2(15) and section 13 of Income Tax Act. It is apparent that the additions made by the AO is totally 4 unwarranted and not sustainable in appeal. The assessee has already challenged the assessment order in appeal before CIT(A), NFAC, which is pending.

5. In arriving at the said conclusion, the AO has totally misconstrued the activity of the appellant in extending loans to women of economically weaker sections of society, who would not get these loans for want of surety from financial institutions. In this regard, para 4.9 and 4.10 are reproduced.

4.9 "The target of the assessee is not charity but to identify those needy people who are not able and unaware/illiterate to take the finance from banking sectors/NBFC. The assessee grab those persons and given loan to those needy persons by charging at the higher rate of interest and the assessee takes the benefit of their need/urgency. It has also lessened its risk to a lower amount of Rs.50000/- and charging the exorbitant rate of interest at around 22%. In such condition, the element of charity is totally missing."

4.10 "In view of the discussion in above paras, it is concluded that the assessee has not carried out any charitable activities as defined u/s 2(15) of the Act. The activity of the assessee are clearly of the nature of trade, commerce or business as defined in proviso of section 2(15) of the Act."

6. In this regard, the assessee would like to rely on the order of the Hon'ble High Court of Andhra Pradesh in its own case for AY 2005-06 in ITTA No.304 of 2013 wherein the Hon'ble High Court, while confirming the order of the Hon'ble ITAT in ITA No.364/Viz/2009, held as under: We have gone through the judgment and order of the learned Tribunal and we have heard the learned counsel appearing for the appellant. The learned Tribunal has concluded on fact that the activities of the assessee are in the nature of charitable activities. It has been further held on appreciation of fact that micro finance activity in the instant case is a charitable activity. Learned Tribunal has also relied on the judgment of the Bangalore Bench of the Tribunal on identical fact that the micro financing to the poor people is a charitable activity. Under such circumstances, the assessee was granted exemption under Sec.11 of the Income Tax Act. The learned Tribunal further found that in order to achieve the main purpose of the charitable activity, the assessee has joined hands with some other financial organizations and banks. Such steps to collect money for micro financing, does not defeat the real object in order to deprive it of the exemption. We do not find any infirmity or illegality in the judgment and order of the learned Tribunal, which is based on the fact-finding and such facts attract the provision of exemption.

7. The copies of the orders of the Hon'ble High Court and the Hon'ble ITAT are enclosed herewith for your ready reference. Since the basic facts of the present year are exactly the same. Since the appellant society has been doing the same activity year after year, denial of benefit u/s 11 and 13 by the Ld. AO is uncalled for and the order so passed is against the order of the jurisdictional High Court in the assessee's own case. It is therefore, requested that stay may kindly be granted till the disposal of the appeal."

6. Learned counsel for the petitioner submits that the assessing authority, vide assessment order dated 20.03.2025, has made two additions by disallowing surplus of income and capital expenses under Section 13(10) read with Section 13(8) of the Income-tax Act, 1961 (for short 'the Act'). He further submits that the petitioner is a charitable organisation having been granted exemption under Section 12A of the Act. It is submitted that the petitioner organisation provides unsecured small advances/loans and other basic financial services to the poor and low-income households for their investment in micro-enterprises so as to raise their income levels and improve their living standards. Therefore, it is submitted that the High Court of Judicature, Andhra Pradesh, Hyderabad, in its judgment dated 10.07.2013 in I.T.T.A.No.304 of 2013 relating to assessment year 2005-06 has upheld the finding of the learned Income Tax Appellate Tribunal that the activities are in the nature of charitable activities. It is further held on appreciation of fact that micro financing in the instant case is a charitable activity. Under such circumstances, the assessee was granted exemption under Section 11 of the Act. Such steps to collect money for micro financing do not defeat the real object in order to deprive it of the exemption. It is submitted that the judgment dated 10.07.2013 rendered by the Andhra Pradesh High Court in ITTA No.304 of 2013 has also been quoted in the stay application preferred by the petitioner. However, the CIT (Exemption) by way of a cryptic order without dealing with the specific grounds urged by the petitioner in the stay application and whether the petitioner has been able to make out a prima facie case and that the plea of financial hardship is substantiated by the petitioner, has proceeded to direct the petitioner to pay an amount of Rs.8,00,00,000/- on or before 01.09.2025, failing which, recovery proceedings under Section 226(3) of the Act would be initiated without any further communication. Being aggrieved thereby, the present Writ Petition has been filed.

7. It is submitted that the impugned order does not address the relevant factors required to be taken into consideration while dealing with an application for stay of the demand or for partial payment. Therefore, the impugned order may be set aside.

8. Learned counsel for the Revenue has sought to draw the attention of this Court to the assessment order in order to justify that the additions and disallowances made in the return of income filed by the petitioner are proper in the eye of law. However, learned counsel for the Revenue has not been able to dispel the submission of the petitioner that the impugned order does not reflect any consideration on the specific grounds urged by the petitioner for stay of the demand. He, however, also submits that in a similar case, this Court has remanded the matter to the CIT (Exemption) for passing fresh order. He submits that if the matter is remitted to the CIT (Exemption), he can consider the specific grounds urged by the petitioner for stay of the outstanding demand or partial payment.

9. We have heard learned counsel for the parties and taken note of the relevant materials placed on record.

10. Reference is made to the order dated 19.09.2025 passed in W.P.No.28228 of 2025 by this Court in respect of similar order passed on stay application by the CIT (Exemption). This Court finds that the order impugned in the present case also is cryptic and does not reflect any application of mind to the specific grounds urged by the petitioner in the stay application.

11. Taking into account the aforesaid facts and circumstances of the case, the impugned order is set aside. The matter is remitted to the CIT (Exemption) to pass fresh orders in accordance with law dealing with specific grounds urged by the petitioner in its stay application in a reasonable time, preferably, within a period of four (04) weeks from the date of receipt of a copy of this order.

12. Accordingly, the instant Writ Petition is disposed of. There shall be no order as to costs. Miscellaneous applications pending, if any, shall stand closed. _____ APARESH KUMAR SINGH, CJ _____ G.M.MOHIUDDIN, J Date: 23.09.2025 GJ