

**IN THE INCOME TAX APPELLATE TRIBUNAL
DELHI BENCH, E: NEW DELHI**

**BEFORE SHRI RAJ KUMAR CHAUHAN, JUDICIAL MEMBER
AND
SHRI BRAJESH KUMAR SINGH, ACCOUNTANT MEMBER**

**ITA No.- 5170/Del/2025
[Assessment Year: 2017-18]**

Income Tax Officer (Exemption), Ward 2(3), E-2, Block, Room no.- 2407, 24 th Floor, Pratyaksh Kar Bhawan, Civic Centre, J.L. Nehru Marg, New Delhi-110002.	Vs	Wrestling Federation of India, 21, Ashoka Road, New Delhi-110001.
PAN- AAATW0613M		
Revenue		Assessee

**C.O. No.- 282/Del/2025
(Arising out of ITA No.- 5170/Del/2025)
[Assessment Year: 2017-18]**

Wrestling Federation of India, 21, Ashoka Road, New Delhi-110001.	Vs	Income Tax Officer (Exemption), Ward 2(3), E-2, Block, Room no.- 2407, 24 th Floor, Pratyaksh Kar Bhawan, Civic Centre, J.L. Nehru Marg, New Delhi-110002.
PAN- AAATW0613M		
Assessee		Revenue

Assessee by	Shri Shikhar Garg, Adv.
Revenue by	Ms. Ankush Kalra, Sr. DR

Date of Hearing	23.03.2026
Date of Pronouncement	30.03.2026

ORDER

PER BRAJESH KUMAR SINGH, AM,

This appeal in ITA No.- 5170/Del/2025 by the Revenue and the Cross Objection (C.O.) in C.O. No.- 282/Del/2025 by the Assessee are directed against the order of National Faceless Appeal Centre (NFAC) [hereinafter referred to as the 'Ld. CIT(A)] order dated 08.07.2025 arising out of the Assessment Order dated 28.12.2019 passed under section 143(3) of the Income Tax Act, 1961 (hereinafter referred to as the 'the Act') by the ITO, Ward (Exemption.)-2(3), Delhi, (hereinafter referred to as the 'AO') pertaining to Assessment Year (A.Y.) 2017-18.

1.1 The appeal and the cross objection were heard together and are being disposed of by this common order for the sake of convenience and brevity.

2. The Assessee had filed original its return of income for AY 2017-18 on 05.11.2017 declaring Nil income and claiming TDS of Rs 1,85,229/- which was subsequently revised on 22.09.2018 declaring the NIL Income and claiming TDS of Rs 41,95,229/-. The case was selected for Complete Scrutiny through CASS. Therefore, notice u/s 143(2) was issued on 16.08.2018 which was duly served on the assessee. Thereafter, notice u/s 142(1) was issued to the assessee through ITBA system to furnish the requisite details. Assessee furnished the details through ITBA.

2. 1 The assessee society is registered u/s 12A of the Income Tax Act 1961 vide order dated 27-04-2004 passed by the Director of Income Tax (Exemptions), Delhi in No DIT(E)/2004-05/W-171/03/120. The assessee is also registered u/s 80G(5)(vi) of the Income Tax Act vide order dated 17-09-2008 passed by the Director of Income Tax (Exemptions), Delhi in No DIT(E)/2008-09/W-171/1670 and the assessee has claimed exemptions u/s 11 of the Income Tax Act.

3. On perusal of the income and expenditure account it was observed by the AO that the assessee had received 'Royalty income' of Rs 4,03,50,000/-, and 'Sponsorship fee' of Rs 92,61,459/-. The assessee was asked by the AO vide notice u/s 142(1) dated 20.11.2019 to show cause as to why the aforesaid receipts may not be treated as business receipts by invoking the proviso to section 2(15) of the Act, 1961 and benefit of exemption claimed u/s 11& 12 be not disallowed.

4. The assessee submitted its reply vide letter dated 26.11.2019 claiming that its activities were charitable and it was entitled to the exemption u/s 11 & 12 of the Act. The relevant extract of the assessee's submission before the AO during the course of assessment proceedings are reproduced as under:

"5. In response to the showcause, the assessee vide letter dated 26.11.2019 has submitted reply as under-

- i. That Promotion of sports and games is considered to be a charitable purpose within the meaning of section 2(15). Therefore, an association of institution engaged in the promotion of sports and games can claim exemption u/s 11.*

- Providing sports facilities to general public without restriction to any caste, creed, religion or profession is eligible for exemption u/s 11 DIT(Exemption) Vs Goregaon Sport Club (2012) 21 Taxmann.com 479(Bom).]*
- ii. *That we comes under 5th Limb of the charitable purpose ie. advancement of any other object of general public utility and all the activities and events carried out among the members for the promotion of sports & games is not considered commercial activities but Charitable purpose u/s 2(15) of the I.T. Act, 1961.*
 - iii. *That the proviso to section 2(15) inserted by the finance act 2008 will apply only to entities whose purpose is advancement of any other object of general public utility, i.e. the fifth limb of the definition of 'Charitable purpose' contained in section 2(15).. Hence, such entities will not be eligible for exemption u/s 11 if they carry on commercial activities, whether such entity is carrying on an activity in the nature of trade commerce or business is a question of fact which will be decided based on the nature scope, extent and frequency of the activity*
 - iv. *That under the principle of mutuality, if trading takes place between the persons who are associated together and contribute to a common fund for the financing of some venture, event or object that in this respect have no dealing or relation or relations with any outside party, then any surplus returned to the persons forming such associations is not chargeable to tax."*

4.1 However, the AO did not accept the above submissions of the assessee and inter-alia observed that such receipts being 'Royalty income' of Rs. 4,03,50,000/- and 'Sponsorship Fee' of Rs. 92,61,459/- exceeded 20% of the total receipts of the assessee and therefore it was hit by the proviso to section 2(15) of the Act. The relevant extracts of the order of the AO are reproduced as under:

" Further receipts from such activities exceed 20% of the total receipt during the year under consideration. By the Finance Act 2015 wet. 01.04 2016 (i.e. AY 2016-17), a significant change is made in the scope of proviso to section 2(15) of the Act. The said proviso now reads as under:

"Provided that the advancement of any other object of general public utility shall not be a chantable purpose, if it involves the carrying on of any activity in the nature of trade, commerce or business or any activity of rendering any service in relation to any trade, commerce or business, for a cess or fee or

any other consideration, irrespective of the nature of use or application, or retention, of the income from such activity, unless.

- (i) such activity is undertaken in the course of actual carrying out of such advancement of any other object of general public utility, and*
- (ii) the aggregate receipts from such activity or activities during the previous year, do not exceed twenty per cent of the total receipts, of the trust or institution undertaking such activity or activities, of that previous year.”*

4.1 Further, the AO noted that even though the assessee contended that it had got relief from Ld. CIT(A) and Hon'ble ITAT in A.Y. 2010-11 and 2012-13, but it was pertinent to mention that in A.Y 2010-11 & 2011-12, the decision of Ld. CIT(A) and Hon'ble ITAT was not accepted and either further appeal has been filed or no appeal has been filed due to law tax effect. Accordingly, the assessment was completed by the AO u/s 143(3) by rejecting the application of income for charitable purpose and denying exemption us 11 and 12, considering its activities as commercial activities and added back excess of income over expenditure amounting to Rs.4,73,72,198 and determined it as taxable income.

5. Aggrieved with the said order, the assessee filed an appeal before the Ld. CIT(A). The Ld. CIT(A) allowed the appeal of the assessee and the relevant extract of the order of the Ld. CIT(A) is reproduced as under:

“ 3. All grounds are regarding denial of exemption u/s 11 and 12 and issues emanating out of this. The appellant is a federation registered u/s 12A of the income tax act 1961 and having a certificate u/s 80G of the Act. The main objectives of the said federation are promotion of wrestling at national and international level. The appellant earned income from annual subscription affiliation fee, donations, entry fee, fila Referee Judges fee, royalty sponsorship fee and grant in aid from sports authority of India to meet the related expenses of the wrestlers etc.. during the year. The appellant

claimed that their object is charitable purpose in the meaning of u/s 2(15) of the act. The Assessing Officer stated that, on perusal of the income and expenditure account it has been observed that assessee has received Royalty income of Rs 4,03,50,000/-, Sponsorship fee for Rs 92,61,459/-. It is evident from the Income & Expenditure A/c filed by the assessee that not a single penny has been incurred on training programmes of the young individuals who are still to gain prominence and there is no systematic instruction and training system in place to train the young wrestlers at Akhara Level/Village Level and instead it is charging royalty fees from the organization seeking recognition /affiliation for Organizing Competition at District Level/State Level. Further receipts from such activities exceed 20% of the total receipt during the year under consideration. By the Finance Act 2015 w.e.f. 01.04.2016 (i.e. 'A.Y. 2016-17), a significant change is made in the scope of proviso to section 2(15) of the Act. The said proviso now reads as under:-

"Provided that the advancement of any other object of general public utility shall not be a charitable purpose, If it involves the carrying on of any activity in the nature of trade, commerce or business, or any activity of rendering any service in relation to any trade, commerce or business, for a cess or fee or any other consideration, irrespective of the nature of use or application, or retention, of the income from such activity, unless (i) such activity is undertaken in the course of actual carrying out of such advancement of any other object of general public utility, and the aggregate receipts from such activity or activities during the previous year, do not exceed twenty per cent, of the total receipts, of the trust or institution undertaking such activity or activities, of that previous year;

From the above provision it is evident that even if the activity in the nature of trade, commerce or business or any activity of rendering of any service in relation to any trade, etc is undertaken in the course of actual carrying out of such advancement of any other object of general public utility (GPU)] and if the aggregate receipts from such activity does not exceed twenty percent of the' total receipt the said activity of advancement of any object of GPU shall not be considered a charitable activity and accordingly the exemption u/s 11 & 12 or 10(23C) as the case may be shall not be available to the assessee.

4. The appellant submitted that, during the AYs 2010-11 to 2014-15 the learned CIT (Appeals) under the same set of facts after examining the issue in details allowed the claim of the Appellant that the activities of the federation is not business purpose but charitable and AO was directed to allow exemption u/s 11 of the act with all consequential benefits. The assessee relied on CIT VS ANGELS EDUCATIONAL TRUST (2022) 440 ITR 449(MAD) HC wherein it has been held that the predominant purposes are to be seen, CREATIVE MUSEUM DESIGNERS (2022) 443 ITR 173 (CAL) wherein it has been held that company formed by Govt of India for establishing museum for RBI and Municipal Corporation is not for activities for profit, DAYANAND PUSHPADEVI CHARITABLE TRUST (2021) 436 ITR 406 (DEL) wherein the trust was running a residential cottage, Hostel was also being maintained with statutory

requirements. The maintaining of hostel did not amount to business the trust was held entitled exemption.

5. Decision; The assessing Officer has invoked amended provisions of section 2(15) to disallow exemption claimed by the appellant. However, it is seen that the ITAT, New Delhi in the appellant's own case for AY 2012-13 in ITA No.4755/Del/2016 has held that any provisions to section 2(15) would not apply in the facts of the present case. The tribunal stated that, the assessee is not involved in any business activity as there is no apparent motive to earn profit. The royalty and sponsorship fees which are received are incidental for the fulfilment of the objectives of the assessee. The receipts are not being used as business receipts in order to be utilised as profit to any person but instead is used to promote the sport of wrestling. Though the assessee has objectives of general public utility, considering the activities and the objects of the federation as also going by the case laws quoted above, the proviso to Section 2(15) shall not apply to the assessee. Issues involved in this case are also same in the facts and circumstances of above decision by the ITAT. Hence, it is held that the assessee is entitled for the benefit of provisions laid down u/s 11 & 12 of the Act. As a result, the appeal is allowed.

(emphasis supplied by us)

6. Aggrieved with the said order, the Revenue is in appeal before the Tribunal.

7. At the outset, the Ld. AR submitted that it was a covered matter in favour of the assessee by the order of the Tribunal in assessee's own case for A.Y. 2010-11 & 2012-13 in ITA No. 4755/Del/2016 & 2063/Del/2017. Further, the AR submitted that the AO passed assessment orders dated 30.03.2021 and 26.03.2025 for A.Ys. 2018-19 and 2023-24 respectively in the case of the assessee without denying exemption u/s 11 and 12 of the Act.

8. On the other hand, the Ld. CIT(DR) supported the order of the AO and the grounds of appeal.

9. We have heard both the parties and perused the material available on record. On similar facts, the Co-ordinate Bench of the Tribunal in assessee's own case for A.Y. 2010-11 and 2012-13 vide its order dated 03.12.2018 in ITA No. 4755/Del/2016 and ITA No. – 2016/Del/2017 in the Case of Income Tax Officer (E) vs. Wrestling Federation of India had deleted similar addition made by the AO on account of 'royalty' and 'sponsorship fees' by holding that the proviso to section 2(15) of the Act shall not apply to the assessee. The relevant extracts of the said order including the ground of appeal before the Tribunal having the identical issue are reproduced as under:

"1. On the facts and in the circumstances of the case and in law, the Ld. CIT(A) has erred in law in ignoring the fact that the receipts are on account of sponsorship and royalty are in the nature of business income and hits the amended proviso of section 2(15) of the Income Tax Act, 1961."

.....xxxxx.....

3. The brief facts of the case are that the assessee is a society registered under Societies Registration Act, 1860 vide Registration No. S 3225 dated 22/01/1967. The Society is also Registered under Section 12A of the Income Tax Act vide Registration Number DIT(E)/2004-05/W-171/03/120 dated 27.04.2004 and claimed exemption under Section 11/12 of the Income Tax Act. The assessee showing Nil income, filed form No. 10B. The case was selected for scrutiny and statutory notices were issued to the assessee. During the course of scrutiny proceedings the Assessing Officer observed that the assessee has shown royalty income of Rs. 2,45,000/- and sponsorship fee of Rs. 12,75,000/-. He also observed that these amounts have not been received from the members; therefore, it is in the nature of business receipts. The assessee had claimed exemption on the above amounts. In this regard the assessee was asked to justify this claim. Reply was filed by the assessee. The Ld. Assessing Officer observed that the end use of business profit for charitable purpose is of no relevance due to amendment in Section 2(15) and the payer has also deducted TDS, since the main activity of the assessee falls under the category of general public utility, therefore, the first proviso to Section 2(15) of the Act is invoked and receipt on account of royalty and sponsorship fee is stated as business income of the assessee within the meaning of first proviso to Section 2 (15) of the Income Tax Act and

no expenditures have been incurred by the assessee towards earning of these incomes. Therefore, he added the total receipts of Rs. 15,20,000/- (Rs. 2,45,000+12,75,000) as income of the assessee.”

.....xxx.....

9. It is evident that the assessee is not involved in any business activity as there is no apparent motive to earn profit. The royalty and sponsorship fees which are received are incidental for the fulfillment of the objectives of the assessee. The receipts are not being used as business receipts in order to be utilised as profit to any person but instead is used to promote the sport of wrestling. Though the assessee has objectives of general public utility, considering the activities and the objects of the federation as also going by the case laws quoted above, the proviso to Section 2(15) shall not apply to the assessee. The addition made on account of royalty and sponsorship fees may therefore be deleted.”

(emphasis supplied by us)

9.1 The facts as discussed above are identical to the facts in the present appeal. Therefore, respectfully following the above order of the Co-ordinate Bench in assessee’s own case, we uphold the order of the Ld. CIT(A) in deleting the addition of Rs. 4,73,72,198/-. Further, we also uphold the finding of the Ld. CIT(A) that the assessee was entitled for the benefit of provision laid down in section 11 and 12 of the Act. In the result, the appeal of the Revenue is dismissed.

10. The assessee has filed the Cross Objection in support of the order of the Ld. CIT(A). In view of our decision in dismissing the appeal of the Revenue, the C.O. filed by the assessee becomes infructuous and is accordingly dismissed.

ITA No.- 5170/Del/2025
C.O. No.- 282/Del/2025
Wrestling Federation of India

11. To sum up, appeal filed by the Revenue and the C.O. filed by the assessee are dismissed.

Order pronounced in the open court on 30.03.2026.

Sd/-
[RAJ KUMAR CHAUHAN]
JUDICIAL MEMBER

Sd/-
[BRAJESH KUMAR SINGH]
ACCOUNTANT MEMBER

Dated- 30.03.2026.

Pooja.

Copy forwarded to:

1. Assessee
2. Respondent
3. CIT
4. CIT(A)
5. DR

Asst. Registrar,
ITAT, New Delhi,