IN THE HIGH COURT FOR THE STATE OF TELANGANA AT HYDERABAD
(Special Original Jurisdiction)

TUESDAY, THE TWENTY THIRD DAY OF SEPTEMBER
TWO THOUSAND AND TWENTY FIVE

PRESENT

THE HON'BLE THE CHIEF JUSTICE APARESH KUMAR SINGH
AND
THE HON'BLE SRI JUSTICE G.M. MOHIUDDIN

WRIT PETITION NO: 28734 OF 2025

Between:

Spandana Rural and Urban Development Organisation, # Plot No 31 and 32, Ramky Selenium Towers Tower-A, Ground Floor, Financial District, Mannu S.O, Gachibowli, Hyderabad, Telangana-500032

...PETITIONER

AND

1. Assessment Unit, Income Tax Department, National e-Assessment Center, Room No.401, 2nd Floor, E-Ramp, Jawaharlal Nehru Stadium, New Delhi-110 003.
2. Commissioner of Income Tax (Exemptions), 2nd Floor, Aayakar Bhavan, Basheerbagh, Hyderabad, Telangana.
3. Principal Chief Commissioner of Income Tax, (Exemptions), R.No 2504, E-2, Block 25th Floor. Civic Centre, New Delhi.
4. Union of India, rep. by its Secretary, Ministry of Finance, Government of India, North Block, New Delhi-110 001.

...RESPONDENTS

Petition under Article 226 of the Constitution of India praying that in the circumstances stated in the affidavit filed therewith, the High Court may be pleased to issue a Writ of Mandamus or any other appropriate writ, order or direction

a. Set aside the decision on stay application issued by the 2nd Respondent vide its letter dated 23.08.2025 demanding Rs 8 crores, the order of stay application as the matter being a huge amount for grant of stay on tax

demand is unjust, unconstitutional, and detrimental to the charitable sector and society at large covered and contrary to the decision of the Hon'ble Court of Andhra Pradesh in Petitioner's own case.

IA NO: 1 OF 2025

Petition under Section 151 CPC praying that in the circumstances stated in the affidavit filed in support of the petition, the High Court may be pleased to grant stay of all further proceedings, including any recovery, pursuant to the impugned order under Section 143(3) read with 144B of the Income Tax Act, 1961 dated 20.03.2025 issued by the 1st Respondent, for the assessment year 2023-24 and grant stay until the matter is decided before CIT(A), NFAC as otherwise the Petitioner will be put to severe loss and hardship.

Counsel for the Petitioner: SRI AKRUTI AGARWAL

Counsel for the Respondents No.1 to 3: SRI VIJHAY K. PUNNA,
SENIOR S.C. FOR INCOME TAX DEPARTMENT

Counsel for the Respondent No.4:
THE DEPUTY SOLICITOR GENERAL OF INDIA

The Court made the following: ORDER

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

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: **AABTS9855J**	Assessment Year: **2023-24**	Dated: **23/08/2025**	DIN & Letter No: **ITBA/COM/F/17/2025-26/1079923109(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 company** with this directive by the due date, the **Assessing Officer will be at liberty to initiate**

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

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. Leaned 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.

SD/- B.REKHA RANI
ASSISTANT REGISTRAR

//TRUE COPY//

SECTION OFFICER

To

1. The Assessment Unit, Income Tax Department, National e-Assessment Center, Room No.401, 2nd Floor, E-Ramp, Jawaharlal Nehru Stadium, New Delhi-110 003.
2. The Commissioner of Income Tax (Exemptions), 2nd Floor, Aayakar Bhavan, Basheerbagh, Hyderabad, Telangana.
3. The Principal Chief Commissioner of Income Tax, (Exemptions), R.No 2504, E-2, Block 25th Floor, Civic Centre, New Delhi.
4. The Secretary, Ministry of Finance, Government of India, Union of India, North Block, New Delhi-110 001.
5. One CC to M/s. AKRUTI AGARWAL, Advocate [OPUC]
6. One CC to SRI VIJHAY K PUNNA, Senior S.C. for Income Tax Department [OPUC]
7. One CC to the Deputy Solicitor General of India [OPUC]
8. Two CD Copies

MP
TKS

HIGH COURT

DATED:23/09/2025

ORDER

WP.No.28734 of 2025



DISPOSING OF THE WRIT PETITION

WITHOUT COSTS

10
ASV
30/10/25.