

**IN THE INCOME TAX APPELLATE TRIBUNAL “A” BENCH, MUMBAI**

**BEFORE MS. KAVITHA RAJAGOPAL, JM  
AND  
SHRI OMKARESHWAR CHIDARA, AM**

ITA Nos. 4757 & 4761/Mum/2025  
(Assessment Year: 2025-26)

<b>Legsys AI Technology Foundation</b> F-104, Jalvayu Vihar, Mumbai, Sector-A, Powai, Mumbai – 400076.	Vs.	<b>Commissioner of Income Tax (Exemptions), Mumbai</b>
<b>PAN/GIR No. AAFCL6964J</b>		
(Appellant)	:	(Respondent)

Assessee by	:	Shri V. Sridharan, Shri Samyak Lohodi & Ms. Priyanshi Chokshi
Respondent by	:	Shri Rajesh Kumar Yadav, (CIT DR)

Date of Hearing	:	26.08.2025
Date of Pronouncement	:	21.11.2025

**ORDER**

**Per Kavitha Rajagopal, J M:**

These captioned appeals have been filed by the assessee, challenging the order of the learned Commissioner of Income Tax (Exemptions) Mumbai ('Id. CIT(E)' for short), rejecting the grant of registration u/s. 12AB and 80G of the Income Tax Act, 1961 ('the Act'), pertaining to the Assessment Year ('A.Y.' for short) 2025-26.

2. As the facts are identical, we hereby pass a consolidated order by taking ITA No. 4757/Mum/2025 as a lead case.

**ITA No. 4757/Mum/2025; A.Y. 2025-26**

3. The assessee has raised the following grounds of appeal:

*"1. That on the facts and in the circumstances of the case and in law, the Ld. CIT-(E) has grossly erred in rejecting the Appellant's application for grant of registration u/s 12A.*

*2. That on the facts and in the circumstances of the case and in law, the Ld. CIT(E) grossly erred in holding that the activities carried on by the Appellant do not qualify the test of 'charitable purpose as defined in Section 2(15) of the Act, without appreciating that the Appellant has been incorporated wholly and exclusively for charitable purposes and to promote social welfare by (a) enhancing access to justice for the public at large by leveraging Artificial Intelligence ("AI") and technology, and (b) improving functioning of courts across India by providing them pro bono AI-based technical support and training which will result in early disposal of litigations pending before various judicial forums.*

*3. That on the facts and in the circumstances of the case and in law, the CIT(E) grossly erred in holding that the activities of the Appellant are in violation of Section 2(15) of the Act, without appreciating that the activities carried on by the Appellant are entirely for the benefit of the public at large.*

*4. That on the facts and in the circumstances of the case and in law, the Ld. CIT(E) grossly erred in holding that "the activities undertaken by the applicant Trust with respect to the grants received under the MOU from both the abovementioned entities [Vaya Trust 4 and Nudge Life Skills Foundation) are only in the nature of providing services, as per the agreements made between the parties in lieu of grants received." without appreciating that the donations were received to provide AI-based tools and support for the benefit of the Indian judiciary and litigants, and that no part the activities enure benefits to the donor.*

*5. That on the facts and circumstances of the case and in law, the Ld. CIT(E) grossly erred in not appreciating that the Appellant is not offering any technical or commercial services, software, or tools to Vaya Trust 4, Nudge LifeSkills Foundation or any other donor. The AI tools and software are exclusively provided to Indian courts and litigants on a pro bono basis.*

*6. That on the facts and in the circumstances of the case and in law, the Ld. CIT-(E) has grossly erred in not appreciating that the MoU entered into with Vaya Trust 4 clearly states that the grant is provided "to implement AI-based court stenography and transcription project to support courts build capacity and reduce delays and backlogs." This is in line with the object of the Appellant to enhance the efficiency of the courts and reduce judicial delays.*

*7. That on the facts and in the circumstances of the case and in law, the Ld. CIT-(E) has grossly erred in not appreciating that the MoU entered into with Nudge Life Skills Foundation clearly states that the grant is provided to develop "a*

*comprehensive Case Flow Management system that integrates AI tools into a centralized platform, designed for courtrooms. The application will provide real-time speech-to-text transcription in multiple Indian languages to address stenographer shortages [and] automate court workflows." This is in line with the Appellant's object to improve access to justice, and is aimed at benefiting the public at large.*

*8. That on the facts and in the circumstances of the case and in law, the Ld. CIT-(E) has grossly erred in not appreciating the statement of utilization of grants provided by the Appellant, which clearly shows that the grants received were used towards providing pro bono AI based tools and workshops/trainings to benefit the judiciary, and no part of the activities enured to benefit of the donors.*

*9. That on the facts and in the circumstances of the case and in law, the Ld. CIT-(E) has erred in holding that the Appellant has not undertaken any charitable activities, without appreciating that the Appellant has applied Rs. 37,74,552 out of the grants received, towards charitable purposes.*

*10. That on the facts and in the circumstances of the case and in law, the Ld. CIT-(E) has erred in not appreciating that the Appellant has provided the "Adalat AP" software on a pro bono basis to courts through the help of donations/grants received by the Appellant. The Adalat AI software is currently in use in over 3,000 courtrooms across India.*

*11. That on the facts and in the circumstances of the case and in law, the Ld. CIT-(E) has erred in not appreciating that the Appellant will be providing WhatsApp Chatbot services, in partnership with the Hon'ble High Courts of Karnataka and Orissa, free of cost to the public at large, which will allow litigants to conveniently access case updates and relevant documents/ orders relating to pending litigation. This is in furtherance of the Appellant's object of improving access to justice.*

*12. That on the facts and in the circumstances of the case and in law, the Ld. CIT-(E) has erred in not appreciating the trainings and workshops conducted pro bono by the Appellant with judicial academies, judges and court staff of several states Kerala, Orissa, Karnataka, Delhi, Bihar, Andhra Pradesh, among others, to build technological capacity and facilitate the seamless adoption of technological innovations. This is in furtherance of the Appellant's charitable objects of increasing judicial efficiency and reducing case delays."*

4. Brief facts of the case are that the assessee was incorporated on 24.01.2024, as per Section 8 of the Companies Act, where it works for providing access to justice to the public, by rendering pro bono services to District Courts with the aid of Artificial

Intelligence (AI) and technology based technical support and training by means of tools which would facilitate the judges of District Courts for speedy disposal benefiting public at large. The assessee had filed an application in form 10AB u/s. 12A(1)(AC)(iii) for registration u/s. 12AB of the Act, before the Id. CIT(E). The Id. CIT(E) rejected the assessee's application on the ground that the assessee's activities are not charitable in nature, as the same are in violation of Section 2(15) of the Act.

5. Aggrieved the assessee is in appeal before us, challenging the impugned order of the Id. CIT(E).
6. The learned Sr. Counsel for the assessee Mr. V. Sridharan contended that the assessee's nature of activity was wholly and exclusively for charitable purpose promoting social welfare by enhancing access of justice for the public at large through artificial intelligence and technology. Ld. Sr. Counsel further contended that it aids in the functioning of the Courts across India, where the assessee provides pro bono AI based technical support and training which in turn enhances the speedy disposal of the case across country. Ld. Sr. Counsel stated that the assessee was not engaged in any commercial services to any of the donors who had granted donation to the assessee aggregating to Rs. 1,95,20,000/- during the year under consideration and that the same was exclusively for the purpose of the charitable activities engaged by the assessee. Ld. Sr. Counsel elaborated on the services provided by the assessee on pro bono basis by providing AI based tools and workshops/training for judges of district judiciary and had also brought our attention to the fact that the assessee will be providing whatsapp chatbot services in collaboration with the Hon'ble High Court of Karnataka and Orissa

which will be free of cost benefiting public at large. Mr. Sridharan further contended that Id. CIT(E) had failed to consider that all the activities of the assessee was with regard to government organizations such as the judiciary including judges and Court staffs of various states across the country, for which the assessee does not charge any fee for the services rendered, as the same are towards the objectives of the assessee which no doubt would benefit the public at large. The Ld. Sr. Counsel brought our attention to the MOUs entered into by the assessee with various entities as to the activities of the assessee and its objectives. The Id. Sr. Counsel also brought our attention to the various provisions of law and relied on a catena of decisions in support of the assessee's claim. The Ld. Sr. Counsel prayed that the grounds of appeal raised by the assessee be allowed.

7. The learned Counsel Mr. Rajesh Kumar Yadav (CIT-DR) for the revenue on the other hand vehemently controverted the arguments of Mr. Sridharan stating that the activities of the assessee are not charitable in nature and quizzed as to how these would fall under the category of charitable activities. The Id. DR further contended that the assessee trust has also not claimed any expenditure which was incurred towards the objects of the trust as per the provisional financial statements till December, 2024 as furnished by the assessee, where an expenditure of Rs. 37,74,552/- out of the total grants received from various entities through MOUs signed by the assessee was furnished by the assessee to the Id. CIT(E) on 25.06.2025. The Id. DR iterated that it implies that the assessee has not undertaken any charitable activity but has only done technical work as per the MOUs signed by it with different entities. The Id. DR reiterated that the assessee does

not engage in any charitable activities and has merely provided technical services to judicial forums which would not tantamount to a charitable activity and hence, relied on the order of Id. CIT(E). The Id. DR also relied on the decision of the Hon'ble High Court of Uttarakhand in the case of ***CIT(E) vs. National Institute of Aeronautical Engineering Educational Society [2009] 108 taxmann.com 264/315 (Uttarakhand)***, wherein it was held that the assessee should establish that its activities are charitable in nature in the failure of which the denial of registration was justifiable.

8. We have heard the rival submissions and perused the materials available on record. The moot issue for adjudication is whether the activities performed by the assessee are charitable in nature and that the assessee was entitled to registration u/s. 12AB of the Act. For this, it is essential to dive into the nature of activity performed by the assessee as per its Memorandum of Association (MOA) which objectives of the assessee trust are cited herein under for ease of reference:

*“a) To promote social welfare by helping organizations automate processes to make them more efficient and productive, thereby reducing backlogs and delays in government organizations and courts; and helping courts build capacity through technological innovations, automation, thus aiding them.*

*b) To harness artificial intelligence technology and implement customized products, tailored to the needs of government organization's and courts in urban and rural areas across India, thereby promoting welfare of the citizens of India.*

*c) To partner and collaborate with central and state governments, Supreme Court of India, different state High Courts, district judiciaries, the police, and other government partners to enable adoption and implementation of technology enabled products in government offices across India.*

*d) To introduce technological innovations in government organization's and court rooms while respecting confidentiality and privacy requirements of courts.*

*e) To provide training sessions and workshops for bureaucrats, judges, staff, and other officials, if necessary, to enable seamless adoption of technological innovations which help*

*improve the efficiency of the legal process in the country, thereby serving the citizens of India.”*

9. On perusal of the above, it is evident that the objectives of the assessee trust are to provide technical support along with training and workshops for Court Officers, Bureaucrat, Court Staffs and other officials for enhancing speedy disposal of the pending litigations through technological innovations and automation for the same. For this, the assessee has deployed the software solution named ‘Adalat AI’ which offers AI transcription and speech translation on pro bono basis for Courts across the country by entering into Memorandum of Understanding (MOU) with High Courts and District Courts of the several states including Bihar, Delhi, Karnataka, Kerala, Orissa, Punjab and Haryana. Further, on perusal of the MOUs, it is also discernable that there is no commercial terms or fees of any nature involved in the said activities. The revenue also has not brought on record any evidences to show that the assessee had entered into contracts with the High Courts and District Courts for providing the Adalat AI Software on monitory terms. In the absence of the same, it can be inferred that these are on pro bono basis that the assessee has undertaken to provide for the Indian judiciary. Whether the same would tantamount to charitable activities requires a further introspection into the services that the assessee has entered into.
10. The Id. Sr. Counsel for the assessee brought our attention to the MOU entered into on 21.05.2024 with the Hon'ble High Court of Karnataka, where the assessee will support the Hon'ble High Court in implementing Adalat AI which is a speech-to-text transcription Software as a service (SaaS) solution with various features across the select districts in the initial pilot phase on a pro bono basis, where the Project

Management Unit (PMU) established by the assessee for training and monitoring Stenographers, Court Staffs and Court Clerks as per the said MOU, there will be a phased rollout such as Pilot Phase, Phase 1 and Phase 2 along with various other terms and conditions of the different phases. Pertinently, the said MOU does not mention anything about the commercial terms between the assessee and the Hon'ble High Court at any of these phases implying that the same is done on a pro bono basis. Similarly, the MOU entered on 12.07.2024 with the District Court of Delhi was also identically worded which specifies that the same would be implemented across select districts in the initial Pilot Phase on a *Pro Bono* basis and there is no clause with regard to the commercial terms as per the said agreement. Identically worded are various other MOU's, where there is no whisper of commercial activities engaged by the assessee with the High Courts and notably, the revenue has also not provided anything on record to prove the contrary. For the purpose of considering whether the assessee's activity is charitable in nature or not, we draw support to the provision of Section 2(15) of the Act which defines "charitable purpose" to include the following :

- i. Relief to poor
- ii. Education
- iii. Medical relief, and
- iv. The advancement of any other object of general public utility.

11. The provision was amended vide Finance Act, 2008, where the proviso was included stating that 'advancement of any other object of general public utility' shall not be a charitable purpose if it involves carrying on of an 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.

12. This is further supported by the Circular No. 11/2008 dated 19.12.2008 which further clarifies that when the issue of ‘advancement of any other object of general public utility’ arises then the entities will not be eligible for claiming exemption u/s. 11 or 10(23)(c) of the Act, if they carry out any commercial activities which are in the nature of trade, commerce or business and the facts of each case has to be considered and not a generalized view has to be adopted for deciding whether an entity is into charitable activity or not. Therefore, when an entity falls into the category of the forth limb of the definition of ‘charitable purpose’ then prima facie it has to be seen whether such entity is engaged in any commercial activities before deciding the issue. In the present case in hand, there is no iota of doubt that as per the MOA or the MOUs signed by the assessee with various High Courts, there is no clause or terms for a contract involving consideration for rendering the services provided by the assessee to the judicial forums. We also draw support from the decisions relied upon by the Ld. Sr. Counsel for the assessee where the Hon'ble Apex Court in the case of *CIT vs. Bar Council of Maharashtra [1981] 130 ITR 28 (SC)* held that the Bar Council of Maharashtra was not indulged in any activity for profit and that its primary or dominant purpose was for the advancement of the object of the general public utility. Though it was for the welfare of the Advocates, the same was for protecting the litigating public at large, where the obligatory function was to ensure quality services of competent lawyers to the litigating public like providing legal assistance to the poor along with other incidental objects.

From this, we can infer that the judiciary by and large is for the benefit of public falling under the forth limb of the definition of the ‘charitable purpose; i.e., ‘advancement of any other object of general public utility’. This view was reiterated by the Hon'ble High Court of Rajasthan in the case of ***Bar Council of Rajasthan vs. CIT [1984] 147 ITR 720 (Rajasthan HC)***. In the assessee's case, the predominant object was to aid the judiciary for speedy disposal of cases through AI technology which would foster speedy disposal of cases through scientific technology, where the huge backlog of cases is one of the threats to effective functioning of the judiciary weakening the rule of law for which Government time and again have been taking various measures for reducing the pendency of litigations both in lower judiciary as well as in the higher judiciary including the Hon'ble Apex Court. According to Halsbury's Laws of England, ‘charitable purpose’ does not have a statutory definition as to what are and what are not a ‘charitable purpose’ as it is the Courts duty to determine whether the particular purposes are charitable. It further states that it has to specify the base that it must be for public benefit and available to a section of community.

13. Further, it is always the prerogative of the Commissioner to cancel a registration granted to a trust if in case, it comes to the notice of the Commissioner of Income Tax that it was not carrying on the activities as per its objectives, meaning thereby that the trust has deviated from the charitable purpose for which it was granted registration.
14. On a bare perusal of the MOA in the MOUs, it is evident that the assessee has not entered into any contractual obligation on monetary terms and the assessee's registration u/s. 12 of the Act cannot be denied at the very inception holding that it is

not of charitable nature. For this, we draw support from the decision of the Hon'ble Punjab and Haryana High Court in the case of *CIT vs. B. K. K. Memorial Trust [2013] 256 CTR 424 (Punjab and Haryana HC)*, where it has been held that as the trust was in an incipient stage and since its work towards its object has not commenced, the revenue could not hold that it was not engaged in charitable activities.

15. From the above, after duly considering the decisions relied upon by the Id. Sr. Counsel for the assessee and the Id. DR for the revenue, we deem it fit to hold that as per the objects of the assessee, we can infer that the activities is prima facie of charitable nature which does not involve any trade, commerce or any business which is also evident from the various MOUs signed by the assessee with various High Courts which are Government bodies, where there cannot be any suppression of facts such as the commercial terms, holding that the assessee's services rendered are on *pro bono* basis only. We also deem it fit to hold that the judiciary works for the benefit of public at large and the services rendered to it are without iota of doubt, for the welfare of public, falling under the forth limb i.e., the 'advancement of any other object of public general utility'. Hence, we allow the grounds of appeal raised by the assessee and direct the Id. CIT(E) to grant registration subject to the other conditions being fulfilled by the assessee on the merits and in accordance with law.

**ITA No. 4761/Mum/2025; A.Y. 2025-26**

16. The findings recorded in ITA No. 4757/Mum/2025 will apply mutatis mutandis to this appeal also.
17. In the result, both the appeals filed by the assessee are hereby allowed.



*Order pronounced in the open court on 21.11.2025*

**Sd/-**  
**(OMKARESHWAR CHIDARA)**  
**ACCOUNTANT MEMBER**

**Sd/-**  
**(KAVITHA RAJAGOPAL)**  
**JUDICIAL MEMBER**

Mumbai; Dated: 21.11.2025

**Karishma J. Pawar, SR. PS**

**Copy of the Order forwarded to:**

1. The Appellant
2. The Respondent
3. CIT- concerned
4. DR, ITAT, Mumbai
5. Guard File

BY ORDER,

(Dy./Asstt.Registrar)  
ITAT, Mumbai