

Golf facilities provided to members for promoting Golf is charitable in nature: HC

Summary – The High Court of Bombay in a recent case of Bombay Presidency Gold Club Ltd., (the Assessee) held that Golf facilities provided to members for promoting Golf is charitable in nature

Facts

- The assessee was a trust and its main object was to provide golf facilities to its members for promotion of Golf.
- The assessee invested its surplus funds in the banks and earned interest of Rs. 2.17 crores. The Assessing Officer held that the assessee did not satisfy the conditions of 'charitable purpose' and the interest income of Rs. 2.17 crores was not exempt from tax.
- On appeal, the Tribunal held that the assessee was required to invest surplus funds in banks or financial institutions and since the assessee did not carry out any commercial activity or business activity, the interest income was exempt under section 11.
- On the Revenue's appeal to the High Court:

Held

- The HC agreed with the view of the Tribunal. The HC said that Proviso to section 2(15) provides 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. Since the assessee in the instant case had its main object to provide golf facilities to its members for promotion of Golf, the Tribunal was right in its findings.
- Further, as per clause (a) of sub-section (1) of section 11 the income derived from the property held under a charitable to the extent to which such income is applied to such purposes shall not be included in the total income. In the assessee's case the surplus funds were invested in specified deposits earning interest which reduced the assessee's loss and it was exempt from tax. The Tribunal was right in its findings.