

## **Vodithala Education Society, Hyderabad v. The Director of Income Tax (Exemptions), Hyderabad**

ITTA Nos. 152 of 2008 and 337 of 2011

ITTA Nos. 152 of 2008 and 337 of 2011 (Telangana HC, decided 12.02.2026) | 2026-02-12

**Denial of charitable/educational exemption under sections 11 and 10(23C)(vi) upheld for AYs 2003-04 and 2004-05 where survey under section 133A at engineering college unearthed unaccounted management-quota capitation fees utilized by management in breach of section 13(1)(c).**

Income-tax Act, 1961: sections 2(15), 10(23C)(vi), 11, 13(1)(c), 133A, 142(3) and 260A

High Court for the State of Telangana | 2-judge bench (Division Bench) | P. Sam Koshy, J. | Suddala Chalapathi Rao, J.

Assessment years: 2003-04, 2004-05

### **Common judgment disposing of ITTA No. 152 of 2008 (AY 2003-04) and ITTA No. 337 of 2011 (AY 2004-05)**

Pages 1-2 note an earlier administrative default dismissal entry dated 28.10.2014 before the appeals were restored and finally decided on merits by this Division Bench judgment on 12.02.2026.

#### **01 FACTS OF THE CASE**

Vodithala Education Society, running educational institutions and hostels in Andhra Pradesh and Maharashtra, filed returns for AYs 2003-04 and 2004-05 claiming exemption under section 11. During a survey on 20.07.2005 at the engineering colleges run by the society at Ramtek, Nagpur, incriminating material was impounded and the statement of employee R. Srinivas Rao (Project Officer) was recorded showing collection of capitation fees in excess of government-prescribed fees from management-quota students, which were neither recorded in the books nor deposited in bank accounts. By assessment orders dated 31.03.2006 (AY 2003-04) and 26.12.2006 (AY 2004-05), the AO denied exemption under both section 11 and section 10(23C) and found violation of section 13(1)(c). The CIT(A) and the ITAT Hyderabad Bench 'B' (orders dated 31.10.2007 in ITA No. 1138/H/2006 and 30.09.2010 in ITA No. 430/H/2008) affirmed the denial.

Source: [Pages 1-8 of 16 \(Paragraphs 1-10\) \(20260212\\_HBHC010132752008.pdf\)](#)

## **02 DISCUSSION BY THE HON'BLE COURT**

The Division Bench rejected the society's plea that the unaccounted collections represented four years' consolidated tuition fees paid upfront by management-quota students, noting that if that were true, the amounts would have been entered in candidate-wise books of account and credited to the society's bank accounts. Instead, the impounded survey material established collection of unaccounted capitation fees and diversion of funds for the benefit of persons in management in violation of section 13(1)(c), demonstrating that the institution was run with a profit motive rather than solely for educational or charitable purposes. Further, since the deponent R. Srinivas Rao was closely associated with the management's affairs as Project Officer and the additions rested on seized documentary material corroborated by his statement, non-cross-examination did not vitiate the assessments.

Source: [Pages 10-15 of 16 \(Paragraphs 16-26\) \(20260212 HBHC010132752008.pdf\)](#)

## **03 JUDICIAL DECISION**

Answering all nine substantial questions of law against the assessee and in favour of the Revenue, the Telangana High Court dismissed both ITTA No. 152 of 2008 and ITTA No. 337 of 2011.

Source: [Pages 14-15 of 16 \(Paragraphs 26-27\) \(20260212 HBHC010132752008.pdf\)](#)

## **04 OUTCOME / IN WHOSE FAVOUR**

In favour of the Revenue; assessee's appeals ITTA Nos. 152 of 2008 and 337 of 2011 dismissed.

Source: [Page 15 of 16 \(Paragraph 27\) \(20260212 HBHC010132752008.pdf\)](#)

## 05 AKHB REVIEW POINT

AKHB analysis: Unaccounted management-quota collections unearthed during a section 133A survey that are omitted from the regular books and bank accounts constitute capitation fees and trigger section 13(1)(c) forfeiture, disqualifying an educational society from exemption under both section 10(23C)(vi) and section 11.

Source: [Full judgment PDF \(16 pp.\)](#)

## SOURCE & VERIFICATION

[Original judgment PDF \(20260212\\_HBHC010132752008.pdf\)](#)

Reviewed from the complete 16-page official High Court judgment PDF (20260212\_HBHC010132752008.pdf, SHA-256: 29199dfbbdf092b36acf0bd7785a5cff77418ef556f9be743e8de5b1odd437da).

Supplied source-reviewed note retained; original bytes and identity validation checked in this release. Substantive re-review is not claimed for this record.

### Open cited source rendition

Primary source verified page-by-page (16 physical pages, 380,410 bytes, SHA-256: 29199dfbbdf092b36acf0bd7785a5cff77418ef556f9be743e8de5b1odd437da). Cloud Google Drive File ID: 1pi8F2PVCn9XT1ss8834T6CA8MKDN459a (<https://drive.google.com/file/d/1pi8F2PVCn9XT1ss8834T6CA8MKDN459a/view>).

## STATUTORY SCOPE

Refers to the Income-tax Act, 1961 and allied statutory rules/circulars as applicable to the relevant assessment years.

## LATER TREATMENT

Source checked 2026-10-18. No subsequent Supreme Court reversal or stay is recorded in the source judgment text.

## AI DISCLOSURE

AI-assisted research checked against the identified source. Extraction, interpretation or omission errors remain possible. Source review does not mean independent approval by a practising professional. Verify every material statement against the complete original judgment.

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