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 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), 11, 13(1)(c), 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

Two appeals decided by this common judgment

The cover pages contain a default-dismissal entry dated 28.10.2014. They do not supply a restoration order. The present reasoned judgment dated 12.02.2026 expressly dismisses ITTA Nos.152 of 2008 and 337 of 2011 on merits.

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.

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02 DISCUSSION BY THE HON'BLE COURT

The Court upheld the concurrent finding that excess management-quota collections were unaccounted capitation fees benefiting management. The proposed explanation of four years' fees collected upfront lacked candidate-wise accounts or corresponding bank deposits. Paragraphs 19–21 also record the authorities' reasoning that income was from running educational institutions rather than trust property and their rejection of the alternative section 11 claim. On cross-examination, the Court found from R. Srinivas Rao's account of management affairs that he was closely associated with the society despite his Project Officer designation. In that factual setting, it rejected the natural-justice objection and found no material warranting interference with the concurrent conclusions.

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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.

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04 OUTCOME / IN WHOSE FAVOUR

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

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05 EXPERT COMMENTS

AKHB EXPERT COMMENTS — editorial analysis, distinct from the Court's findings.

The alternative explanation needed an accounting trail — The four-year-fee explanation failed because it was unsupported by candidate-wise accounts and bank credits. The practical issue was not merely whether advance fees can exist, but whether these particular collections could be reconciled with lawful fees and the society's records. A charitable object in the governing documents could not answer the contrary findings about actual collections and management benefit.

Keep the cross-examination holding within its facts — The assessee asserted that it had requested cross-examination. The Court nevertheless relied on the deponent's demonstrated connection with the society and the wider evidentiary record. This is not a general ruling that a survey statement alone proves every disputed receipt, or that cross-examination is never required. A distinction must engage with those factual foundations.

Both exemption routes failed on this record — The judgment affirms the denial under sections 11 and 10(23C), including the authorities' trust-property reasoning and findings of private benefit. It should not be reduced to a universal proposition that every educational institution is excluded from section 11. Nor does it quantify a separate diverted-income amount or decide later assessment years; its operative result concerns the two captioned appeals.

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SOURCE & VERIFICATION

Original judgment PDF (20260212_HBHC010132752008.pdf)

Reviewed from the complete 16-page official High Court judgment PDF (20260212_HBHC010132752008.pdf, SHA-256: 29199dfbbdf092b36acf0bd7785a5cff77418ef556f9be743e8de5b10dd437da).

All 16 original pages read and visually inspected; all five panels audited.

Open cited source rendition

Primary source verified page-by-page (16 physical pages, 380,410 bytes, SHA-256: 29199dfbbdf092b36acf0bd7785a5cff77418ef556f9be743e8de5b10dd437da). 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 2026-10-21. Subsequent treatment has not been independently verified.

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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