

M/s. Queen's Educational Society v. Commissioner of Income Tax

Civil Appeal No. 5167 of 2008 and connected proceedings (full list below)

[2015] 3 SCR 838 | 2015-03-16

Whether an educational institution loses the relevant section 10(23C) exemption merely because it generates and reinvests a surplus; and, in a separate appeal, whether refusal of an admittedly late approval application should stand.

10(23C)(iiiad) | 10(23C)(vi)

Two-judge bench | T. S. Thakur, J. | R. F. Nariman, J.

Assessment years: 2000-01, 2001-02, 2008-09

Later limited overruling and mixed appeal outcomes

The 2015 predominant-object interpretation of “solely” must not be presented as the current unqualified test. New Noble (2022), paragraphs 60, 76(e) and 78, overrules Queen’s to that stated extent and directs prospective operation, while retaining that incidental educational surplus is not itself a bar. Queen’s also contains an assessee loss for a late application and preserves continuing compliance checks. Historical thresholds and filing dates are not current limits. The preserved sources have not been newly live-validated; comprehensive later treatment, current eligibility and any Income-tax Act, 2025 mapping remain unverified.

[paragraphs 11 / PDF pages 17, 18 / judicial text: paragraphs 49-51, 60, 76\(b\), 76\(e\), 78 / PDF pages 37, 38, 42, 49, 50, 51, 52 / judicial text bounded later comparison](#)

01 FACTS OF THE CASE

Queen’s Educational Society returned net surpluses of Rs. 6,58,862 and Rs. 7,82,632 for AYs 2000-01 and 2001-02 and claimed section 10(23C)(iiiad) exemption. The Assessing Officer rejected it; the Commissioner (Appeals) and Tribunal allowed it; the Uttarakhand High Court restored the rejection. The Tribunal’s findings recorded educational fixed-asset expenditure of Rs. 9,52,010 and Rs. 8,47,742, acquisitions for students and no use of surplus for society members’ benefit. Those findings, rather than surplus alone, were central to the lead controversy (paragraphs 3, 12).

The Revenue group challenged the Punjab and Haryana High Court’s Pine Grove judgment and decisions following it. Approval under section 10(23C)(vi) had been withdrawn substantially by relying on the Uttarakhand approach and recurring surpluses. Separately, CA 8962/2010 concerned an application filed on 23 September 2008 for AY 2008-09, which the quoted High Court order treated as due by 31 March 2008 (paragraphs 20-21, 26).

Source: [reported judgment / paragraphs 3, 12, 20-21, 26 / PDF pages 4, 18, 19, 24, 25, 37, 38 / judicial text](#)

02 DISCUSSION BY THE HON'BLE COURT

The 2015 Court distinguished generation of an incidental surplus from an institution being run for profit. Drawing on *Surat Art Silk, Aditanar and American Hotel*, paragraph 11 applied a predominant-object and overall relevant-year inquiry. Surplus after expenditure did not, by itself, establish a profit purpose. This is the historical reasoning: *New Noble Educational Society* (2022), in the bounded later comparison described below, expressly disapproved Queen's interpretation of "solely" to the stated extent and directed prospective operation. The 2015 predominant-object formulation must therefore not be presented as an unqualified current test.

The Court found that the Uttarakhand High Court had attributed the Assessing Officer's reasoning to *Aditanar* and had also relied on a municipal-property-tax decision addressing materially different language, including voluntary contributions. It approved the Tribunal's treatment of educational reinvestment and set aside the Uttarakhand judgment (paragraphs 12-19).

For the approval cases, the Court considered the historical third and thirteenth provisos and section 11(5). The invalid withdrawal orders did not remove continuing statutory supervision: application and investment of funds, genuineness of activities and compliance with approval conditions had to be monitored year by year. Withdrawal remained subject to the prescribed procedure, including the reasonable opportunity set out in the quoted proviso. The separate late-application appeal was resolved on its stated facts, without treating surplus as a cure for procedural noncompliance (paragraphs 22-27).

Source: [reported judgment / paragraphs 4-19; earlier authorities and historical paragraph 11 test / PDF pages 5, 6, 7, 8, 9, 10, 11, 12, 13, 14, 15, 16, 17, 18, 19, 20, 21, 22, 23 / judicial text](#); [reported judgment / paragraphs 22-25; statutory safeguards and monitoring / PDF pages 25, 26, 27, 28, 29, 30, 31, 32, 33, 34, 35, 36, 37 / judicial text](#)

03 JUDICIAL DECISION

The Uttarakhand judgment dated 24 September 2007 was set aside and the Tribunal's decision approved in the two assessee appeals. The six Revenue appeals concerning *Pine Grove* and following judgments were dismissed, while Revenue retained liberty to pass fresh orders if needed under the governing provisions. *CA 8962/2010* was separately dismissed for the late application, with no order as to costs. The batch therefore has a mixed outcome; it is not a universal allowance of educational exemption (paragraphs 19, 25-27).

Source: [reported judgment / paragraphs 19, 25-27 / PDF pages 23, 24, 37, 38 / judicial text](#)

04 OUTCOME / IN WHOSE FAVOUR

In whose favour: Mixed by appeal group

Two Uttarakhand assessee appeals succeed; six Revenue appeals dismissed with fresh-order liberty; separate assessee CA 8962/2010 dismissed

Final disposal of all nine listed appeals, subject to Revenue's express fresh-order liberty in the approval group

Historical surplus reasoning is qualified by the bounded 2022 New Noble comparison. The late-application result and continuing monitoring are separate; no unconditional exemption for all years or institutions.

Source: [reported judgment / paragraphs Appeal list; 19, 25-27 / PDF pages 3, 24, 37, 38 / judicial text](#)

05 AKHB REVIEW POINT

Separate three questions: the institution's permissible objects and activities, whether an educational surplus by itself defeats relief, and compliance with the applicable approval, application, investment and filing conditions. New Noble (19 October 2022), paragraphs 49-51, 60 and 76(e), requires exclusively educational or education-related objects and expressly overrules Queen's and American Hotel only to the stated extent concerning "solely"; paragraph 78 makes its declared law prospective. Do not label every aspect of Queen's overruled or apply the later ruling retrospectively by assertion.

New Noble also preserves the distinction between a surplus and profit-oriented objects: paragraph 63 and conclusion 76(b) say incidental educational surplus is not by itself disqualifying. Paragraphs 58-60 and 76(c)-(d) address education-related incidental business and separate-account conditions; paragraphs 62-63 and 76(f) permit scrutiny of accounts at approval. This is one bounded later comparison, not a comprehensive citator or current-eligibility certificate. Verify the year's actual threshold, provisos and deadline separately; the historical Rs. 1 crore figure and CA 8962 filing dates are not current universal limits.

Source: [official signed judgment / paragraphs 49-63, 75-78; especially 60, 63, 76\(b\)-\(f\), 78 / PDF pages 37, 38, 41, 42, 43, 44, 45, 49, 50, 51, 52 / judicial text bounded later comparison; reported judgment / paragraphs 5, 26-27; historical threshold and separate filing result / PDF pages 5, 38 / judicial text](#)

APPEAL AND PROCEEDING NUMBERS

Civil Appeal No. 5167 of 2008 / Civil Appeal No. 5168 of 2008 / Civil Appeal No. 8962 of 2010 / Civil Appeal No. 909 of 2011 / Civil Appeal No. 2919 of 2015 / Civil Appeal No. 2920 of 2015 / Civil Appeal No. 2921 of 2015 / Civil Appeal No. 2922 of 2015 / Civil Appeal No. 2923 of 2015

DETAILED DISPOSITION AND CONNECTED GROUPS

Issue results

1.

Issue: CA 5167/2008 and CA 5168/2008: Uttarakhand surplus-based refusal

Result: High Court judgment set aside; Tribunal decision approved

In whose favour: Assesseees

Pinpoints

1.

Source url: [Open cited source](#)

Pdf pages: 23; 24

Paragraphs: 19

Source role: judicial text

2.

Issue: CA 909/2011 and CA 2919-2923/2015: Revenue approval-withdrawal group

Result: Revenue appeals dismissed; fresh lawful orders remain possible

In whose favour: Assessee on the impugned withdrawal orders

Pinpoints

1.

Source url: [Open cited source](#)

Pdf pages: 3; 4; 24; 25; 37

Paragraphs: Reported appeal list; 2, 20-21, 25

Source role: judicial text

3.

Issue: CA 8962/2010: AY 2008-09 late approval application

Result: Assessee appeal dismissed; no costs

In whose favour: Revenue

Pinpoints

1.

Source url: [Open cited source](#)

Pdf pages: 37; 38

Paragraphs: 26-27

Source role: judicial text

ADDITIONAL STATUTORY CONTEXT, NOT SEPARATE HOLDINGS

10(22); 2(15); 11; 11(5); 260A

JUDICIAL AUTHORSHIP AND SEPARATE OPINIONS

R. F. Nariman, J.

ACT IDENTIFIED IN THE REVIEWED SOURCE

Income-tax Act, 1961

VERIFIED RELATIONSHIPS BETWEEN SPECIFIED JUDGMENTS

1.

Earlier case id: sc-2015-03-16-queens-educational-society

Later case id: sc-2022-10-19-new-noble-educational-society

Relationship: prospectively overruled to stated extent of interpretation of solely

Evidence

1.

Source url: [Open cited source](#)

Pdf pages: 17; 18

Paragraphs: 11

Source role: judicial text

2.

Source url: [Open cited source](#)

Pdf pages: 37; 38; 42; 49; 50; 51; 52

Paragraphs: 49-51, 60, 76(b), 76(e), 78

Source role: judicial text bounded later comparison

Scope limit: New Noble expressly limits overruling to the interpretation of solely and directs prospective operation; incidental educational surplus is not itself a bar. No claim that every Queen's holding, its past disposition or its separate filing result was overruled. Comprehensive later treatment remains not_verified.

SOURCE & VERIFICATION

[Hon'ble Supreme Court source PDF \(reported judgment\)](#)

Identified source rendition: 38 PDF pages; SHA-256

df9cc61a4dbd574e827e73acd947e6417629f219801af372692394bd8aee0a45. Original bytes preserved.

Judicial paragraphs 1-27 on physical pages 3-38 (SCR 840-875), fully read, including lengthy statutory and earlier-case quotations. Pages 1-2 and opening of page 3 contain editorial headnote, case references, jurisdiction and appearances. No adjacent judgment.

[Open cited source rendition](#)

Paragraph 3 gives AYs 2000-01 and 2001-02 for the narrated Queen's facts, not a separate year-to-appeal matching. Paragraph 26 gives AY 2008-09 only for CA 8962/2010. Various years in the Revenue group are not individually specified; years appearing in quoted precedents are not treated as years of this batch.

The two exemption routes are distinct. The former section 10(22), definition in section 2(15), section 11 capital-application analogy and section 11(5) investment modes support the reasoning; they are not independent claims adjudicated in this group. References to the third and thirteenth provisos describe the historical statutory version.

The primary source is an unchanged reported eSCR rendition from a public mirror, not a separately retrieved signed original. URLs are preserved acquisition URLs, not newly live-validated links.; Paragraph 5 visibly prints Rule 2CA for the Rs. 1 crore prescription. This note does not adopt that rule-number attribution as an independently verified statutory cross-reference or current threshold.; The Pine Grove quotation in paragraph 23 prints section 10(23C)(iv) in its concluding order, whereas Queen's paragraphs 20-22 identify this group as section 10(23C)(vi). The surrounding primary judgment controls the description; no new (iv) appeal is invented.; The exact late-application deadline is reported as the factual basis adopted in paragraphs 26-27. No general current filing-deadline or condonation proposition is inferred.

Nine civil appeals are listed on physical page 3. The two Uttarakhand appeals are treated in paragraphs 2-19; the six Revenue appeals concerning Pine Grove and following judgments in paragraphs 20-25; CA 8962/2010 is separately decided in paragraphs 26-27. Paragraph 1 grants leave in the special-leave petitions without identifying their individual numbers.

STATUTORY SCOPE

Historical Income-tax Act, 1961 provisions and assessment years only. No automatic mapping to the Income-tax Act, 2025.

LATER TREATMENT

Source checked 2026-10-04. No comprehensive later-treatment or present-law audit has been performed. Any source-checked comparison is expressly bounded.

IDENTIFIED SOURCE LINKS

[reported judgment - PDF pages: 38](#)

SHA-256: df9cc61a4dbd574e827e73acd947e6417629f219801af372692394bd8aee0a45

[official signed judgment - PDF pages: 52](#)

SHA-256: 35040ac9d41851f8a6b3b21144f78674111f23483edc98d1024bd56fa9fbff22

[Related note: M/s New Noble Educational Society v. The Chief Commissioner of Income Tax 1 and Anr.](#)

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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