

Visvesvaraya Technological University v. Assistant Commissioner of Income Tax

Civil Appeal No. 4361 of 2016 / Civil Appeal No. 4362 of 2016 / Civil Appeal No. 4363 of 2016 / Civil Appeal No. 4364 of 2016 / Civil Appeal No. 4365 of 2016 / Civil Appeal No. 4366 of 2016

[2016] 4 SCR 362 | 2016-04-22

Whether a statutory technical university satisfying the historical educational-purpose limb could claim section 10(23C)(iiiab) exemption when direct government grants were at most 1% of receipts and it sought to count statutory fee collections as government financing.

10(23C)(iiiab)

Two-judge bench | Ranjan Gogoi, J. | Prafulla C. Pant, J.

Assessment years: 2004-05, 2005-06, 2006-07, 2007-08, 2008-09, 2009-10

Funding defeat and later educational-object qualification

VTU lost these six historical AY appeals because government financing was insufficient, despite satisfying the educational-purpose limb under the authorities then applied. New Noble (2022) later required exclusively educational objects and prospectively overruled American Hotel and Queen's Education Society to the stated extent; it is not represented here as expressly overruling VTU's separate funding result. The historical receipts figures and fee-regulation percentages are not current thresholds. The unchanged reported source and bounded official comparison have not been newly live-validated; comprehensive later treatment, current eligibility and any Income-tax Act, 2025 mapping remain unverified.

[paragraphs 6-9 / PDF pages 5, 6, 7 / judicial text: paragraphs 49-51, 76\(b\), 76\(e\), 78 / PDF pages 37, 38, 49, 50, 51, 52 / judicial text bounded later comparison](#)

01 FACTS OF THE CASE

VTU was constituted under the 1994 state Act and performed technical-education functions previously discharged by the Karnataka Government, exercising control over government and private engineering colleges. Following section 148 notices for AYs 2004-05 to 2009-10, it filed nil-income returns claiming section 10(23C)(iiiab). The Assessing Officer, appellate authorities and High Court rejected that claim (paragraphs 2-4).

The University had accumulated about Rs. 500 crore of surplus over 1999-2010 through fees collected under section 23 of its Act. The Court noted the gap between fee receipts and expenditure, but also the expansion in affiliated colleges and infrastructure. VTU submitted that about Rs. 504 crore had been spent on infrastructure during 1994-2009 and that the roughly Rs. 440 crore surplus in 2010 was intended for further projects; Revenue had attached that amount pursuant to the assessments. Direct government grants during the six relevant AYs never exceeded 1% of total receipts. Even including the value of 114 acres allotted by government, the High Court's recorded funding figure was only about 4%-5% (paragraphs 8-10 and 14).

Source: [reported judgment / paragraphs 2-4, 8-10, 14 / PDF pages 4, 6, 7, 8, 9, 10 / judicial text](#)

02 DISCUSSION BY THE HON'BLE COURT

The Court treated the two statutory conditions as cumulative: an institution must exist solely for educational purposes without a profit motive, and must also be wholly or substantially financed by government. Applying Queen's Educational Society, American Hotel and their underlying reasoning as then understood, it held that the accumulated surplus had been ploughed back for educational purposes. The first condition was therefore satisfied. The existing section 80G treatment reinforced its view of charitable character, but did not remove the second condition (paragraphs 5-9).

Fees did not become government funding merely because a statute authorised their collection or a statutory/government body fixed rates. The Court distinguished the three educational-exemption categories under section 10(23C): treating all statutory fees as government finance would collapse the separate receipts and approval gateways. For this funding inquiry, the relevant government receipts were direct grants or contributions from governmental sources, not fee collections. The RTI decision relied on by VTU arose under a different definition expressly referring to direct or indirect substantial financing (paragraphs 10-13).

The Court did not announce that only an annual cash grant could ever be considered. It explained the Karnataka Indian Institute of Management decision as taking account of government land, buildings, infrastructure and running costs together. VTU's facts remained insufficient even with the land value included. Its section 10(23C)(iiiab) claim therefore failed on government financing (paragraph 14). The reference to a 6%-15% surplus in Islamic Academy was expressly identified as arising in private-institution fee regulation, not a universal income-tax safe harbour (paragraph 8, continuing onto physical page 7).

Source: [reported judgment / paragraphs 5-14 / PDF pages 5, 6, 7, 8, 9, 10 / judicial text](#)

03 JUDICIAL DECISION

All six assessee appeals were dismissed without costs. VTU satisfied the educational-purpose condition as assessed under the reasoning then applied, but did not satisfy the separate wholly-or-substantially-government-financed condition for AYs 2004-05 to 2009-10. Statutorily collected fees were not government financing for that purpose. No remand or exemption under a different subclause was granted (paragraphs 9-15).

Source: [reported judgment / paragraphs 9, 13-15 / PDF pages 7, 9, 10 / judicial text](#)

04 OUTCOME / IN WHOSE FAVOUR

In whose favour: Revenue overall; assessee on the historical educational-purpose limb only

Civil Appeal Nos. 4361-4366/2016 dismissed without costs

Final refusal of section 10(23C)(iiiab) exemption for the six specified assessment years

The cumulative funding condition independently defeats the claim. Neither establishment by statute, government-linked functions, fee-setting powers nor section 80G status replaces it. The judgment does not decide entitlement through another exemption route or create a universal surplus percentage.

Source: [reported judgment / paragraphs Appeal list; 9, 14-15 / PDF pages 3, 7, 10 / reported metadata and judicial text](#)

05 AKHB REVIEW POINT

Test both limbs and document the source of funds separately. A statutory university may be educational and charitable yet fail this particular government-financed exemption. Identify grants and government contributions, including substantiated capital support where relevant, rather than classifying every fee raised under statutory powers as government money. Do not use the fee-regulation percentage mentioned in the judgment as a general tax-exemption ceiling or safe harbour.

The educational-purpose discussion requires a specific later-authority qualification. In New Noble Educational Society (19 October 2022), paragraphs 49-51 read solely as exclusively educational, expressly discussing clauses (iiiab), (iiiad) and (vi). Paragraph 76(e) disapproved American Hotel and Queen's Education Society to that extent, while paragraph 76(b) preserved the distinction between incidental educational surplus and profit-oriented objects. Paragraph 78 directed prospective operation. This is a bounded later-law comparison affecting authorities used in VTU's first-limb reasoning, not a finding that New Noble expressly overruled VTU's independent government-financing holding or a certification of present eligibility.

Source: [reported judgment / paragraphs 5-14 / PDF pages 5, 6, 7, 8, 9, 10 / judicial text; official signed judgment / paragraphs 49-51, 58-60, 76\(b\), 76\(e\), 78 / PDF pages 37, 38, 41, 42, 49, 50, 51, 52 / judicial text bounded later comparison](#)

DETAILED DISPOSITION AND CONNECTED GROUPS**Issue results**

1.

Issue: Educational purpose and profit motive on this record

Result: Historical test satisfied because surplus was ploughed back into education; section 80G treatment also noted

In whose favour: Assessee on this limb only

Pinpoints

1.

Source url: [Open cited source](#)

Pdf pages: 5; 6; 7

Paragraphs: 5-9

Source role: judicial text

2.

Issue: Statutorily authorised fee receipts as government finance

Result: Fees not treated as government grants or contributions merely because authorised or regulated by statute

In whose favour: Revenue

Pinpoints

1.

Source url: [Open cited source](#)

Pdf pages: 8; 9

Paragraphs: 10-13

Source role: judicial text

3.

Issue: Overall financing and appeal outcome

Result: Direct grants of at most 1%, and about 4%-5% even including government land, did not meet the funding condition; appeals dismissed without costs

In whose favour: Revenue

Pinpoints

1.

Source url: [Open cited source](#)

Pdf pages: 9; 10

Paragraphs: 14-15

Source role: judicial text

ADDITIONAL STATUTORY CONTEXT, NOT SEPARATE HOLDINGS

10(23C)(iiiad); 10(23C)(vi); 80G; 148

OTHER PROVISIONS CONSIDERED

Section 23, Visveswaraiyah Technological University Act, 1994; Historical Income-tax Rules, 1962, Rule 2BC; Right to Information Act, 2005, section 2(h)(d)(ii), distinguished context

JUDICIAL AUTHORSHIP AND SEPARATE OPINIONS

Ranjan Gogoi, J.

ACT IDENTIFIED IN THE REVIEWED SOURCE

Income-tax Act, 1961

VERIFIED RELATIONSHIPS BETWEEN SPECIFIED JUDGMENTS

1.

Earlier case id: sc-2016-04-22-visvesvaraya-technological-university

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

Relationship: later exclusive educational object rule qualifies authorities used in first limb reasoning

Evidence

1.

Source url: [Open cited source](#)

Pdf pages: 5; 6; 7

Paragraphs: 6-9

Source role: judicial text

2.

Source url: [Open cited source](#)

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

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

Source role: judicial text bounded later comparison

Scope limit: New Noble expressly limits the overruling of American Hotel and Queen's Education Society to their interpretation of solely and directs prospective operation. This comparison does not assert that it expressly overrules VTU or displaces VTU's independent government-financing result. Comprehensive later treatment remains not_verified.

SOURCE & VERIFICATION

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

Identified source rendition: 10 PDF pages; SHA-256

3acb6cec58fce48004f0ddc90650fae0276984bb555673a71439108b2d071dc1. Original bytes preserved.

Judicial paragraphs 1-15 on physical pages 4-10 (SCR 365-371), fully read. Physical pages 1-3 and opening of page 4 are reporter/editorial material, jurisdiction and appearances. No neighboring opinion included.

[Open cited source rendition](#)

Paragraphs 3 and 10 expressly cover the six AYs 2004-05 through 2009-10. The broader 1999-2010 surplus history and 1994-2009 infrastructure-spend submission are factual context, not additional assessment years disposed of.

The exemption adjudicated is section 10(23C)(iiiab); the two other educational subclauses are used to distinguish their respective funding, receipts and approval gateways. Section 80G is supporting historical context for charitable character, not a substitute for the government-finance condition. Section 148 explains commencement of the assessments; reopening validity is not separately decided. The historical one-crore Rule 2BC reference is not stated as a present threshold.

The six appeals and six AYs are explicit, but the source supplies no individual appeal-to-year mapping; The report uses variants in spelling the University and its enabling Act. The case title follows the visible title page; no additional identity is inferred.; The headnote's cross-reference to the two other educational categories is not relied on: the judicial text correctly discusses clauses (iiia) and (vi).; The historical one-crore receipts reference and fee-regulation surplus percentage are not current-law thresholds or a universal tax safe harbour.; The New Noble comparison is confined to the source passages actually read. Its prospective direction and express limited overruling are preserved; a broader current-law or full later-treatment audit was not performed.

Six connected civil appeals, Nos. 4361-4366/2016, arising from the Karnataka High Court, Dharwad Bench, order dated 20 December 2013 in ITA Nos. 5007-5012/2013. The source does not match each appeal number individually to an assessment year.

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: 10](#)

SHA-256: 3acb6cec58fce48004f0ddc90650fae0276984bb555673a71439108b2d071dc1

[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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