

Prashanti Medical Services & Research Foundation v. Union of India & Ors.

Civil Appeal No. 5849 of 2019 (SLP(C) No. 34287 of 2017)

[2019] 9 SCR 828 | 2019-07-25

Whether a prior three-financial-year project approval insulated the final year's donor deductions from Parliament's prospective section 35AC(7) sunset.

35AC(7)

2-judge bench | Abhay Manohar Sapre, J. | Indu Malhotra, J.

Assessment years: 2018-19

01 FACTS OF THE CASE

The charitable foundation established a heart-hospital project and obtained section 35AC approval by notification of 7 December 2015. The approval contemplated a Rs.250 crore project and three financial years, 2015-16 to 2017-18. Donors received deductions for the first two years. The Finance Act, 2016 inserted section 35AC(7), which barred deduction for assessment years commencing on or after 1 April 2018 (paragraphs 5-9 and 18).

The foundation challenged the sunset as applied to its previously approved project. It said the lost deduction incentive reduced donations in the third financial year and relied on vested-right, prospectivity and promissory-estoppel arguments. The Gujarat High Court rejected the challenge, and the foundation appealed (paragraphs 10-16).

Source: [reported judgment / paragraphs 5-16 / PDF pages 6, 7, 8, 9 / judicial text](#)

02 DISCUSSION BY THE HON'BLE COURT

The Court observed that the deduction was available to donor assesseees, whereas the appellant was the project recipient. No donor had brought the asserted denial complaint, and the first two financial years' deductions had been availed of. The Court nevertheless examined and rejected the substantive challenge, rather than deciding only an abstract standing rule (paragraphs 19-24).

The sunset was prospective: it did not disallow deductions for the earlier two financial years, but applied to the later assessment years specified by Parliament. Prior approval did not create a vested right to prevent that legislative change. Promissory estoppel could not be used against the exercise of legislative power, particularly where the provision applied prospectively and uniformly (paragraphs 25-26).

The foundation's claim that it would otherwise have attracted more donations did not establish constitutional invalidity. Equity or financial hardship could not supply the missing statutory tax concession. The Court also declined Article 142 relief against the lawful sunset, noting the earlier benefits and the expiry of the donation period in dispute. The prospectivity authorities invoked by the foundation did not alter the result (paragraphs 27-32).

Source: [reported judgment / paragraphs 18 and 19-24 / PDF pages 12, 13 / judicial text](#); [reported judgment / paragraphs 25-32 / PDF pages 14, 15 / judicial text](#)

03 JUDICIAL DECISION

The appeal was dismissed and the High Court's rejection of the challenge remained intact. The foundation obtained no exemption from the section 35AC(7) cutoff for the third approved financial year. No individual donor's tax computation or alternative deduction was adjudicated (paragraph 33).

Source: [reported judgment / paragraphs 33 / PDF pages 15 / judicial text](#); [official signed judgment / paragraphs 33 / PDF pages 24 / judicial text](#)

04 OUTCOME / IN WHOSE FAVOUR

In whose favour: Union of India / Revenue

Foundation's appeal dismissed; challenge to application of section 35AC(7) rejected

Final determination of the sunset challenge on the pleaded grounds

No legal prohibition on receiving donations, no denial of every other statutory donation deduction, and no withdrawal of the first two years' accepted benefits. The provision's enactment/effective date must be distinguished from its AY 2018-19 cutoff.

Source: [reported judgment / paragraphs 23-33 / PDF pages 13, 14, 15 / judicial text](#)

05 AKHB REVIEW POINT

Separate project approval from the donor's statutory deduction and its applicable assessment year. A multi-year approval does not itself insulate future-year concessions against legislation. Review the actual sunset text rather than assuming that the approval period supplies a guaranteed tax benefit.

The decision concerns section 35AC and this legislative transition. It neither bans fundraising nor decides entitlement under other provisions. Do not present a general absence of constitutional review of tax laws; the Court rejected the grounds advanced here. Subsequent treatment and present donation rules require independent verification.

Source: [reported judgment / paragraphs 18-32 / PDF pages 12, 13, 14, 15 / judicial text](#)

ADDITIONAL STATUTORY CONTEXT, NOT SEPARATE HOLDINGS

35AC(1); 35AC(2)

OTHER GOVERNING STATUTES

1.

Act: Constitution of India

Provisions: 142

Role: Request for exceptional relief rejected in this tax-concession challenge

JUDICIAL AUTHORSHIP AND SEPARATE OPINIONS

Abhay Manohar Sapre, J.

ACT IDENTIFIED IN THE REVIEWED SOURCE

Income-tax Act, 1961

SOURCE & VERIFICATION

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

Identified source rendition: 24 PDF pages; SHA-256

a44463a86247bc7c73fbb55f52be77bab5515b60157b9f765f5bc86885f7179a. Original bytes preserved.

One signed judgment on physical pages 1-24, concluding dismissal and signatures/date on page 24.

Cover, cases, author, key reasoning, outcome and signed date matched against the fully read reported judicial text. No full independent reread of the separate original rendition is claimed.

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SCR citation verified on the reported cover; no neutral citation inferred.

Constitutional challenge concerning deduction for donations in FY 2017-18, corresponding to AY 2018-19; not an individual donor's quantified assessment appeal.

The judgment describes subsection (7) as inserted with effect from 1 April 2017, while its quoted text bars deductions from assessment years commencing on or after 1 April 2018. FY 2017-18 and AY 2018-19 must not be interchanged.; Paragraph 22 labels contributing assesseees as donees in parentheses, although the surrounding text identifies them as donors. The note follows the clear party roles.; The Court's discussion of receiving donations under Article 142 concerns deduction-backed relief; it does not impose a ban on the foundation accepting donations.

STATUTORY SCOPE

Historical judgment review; no automatic Income-tax Act, 2025 mapping or present procedure certificate.

LATER TREATMENT

Source checked 2026-10-04. No comprehensive later-treatment or current-law audit.

IDENTIFIED SOURCE LINKS

[official signed judgment - PDF pages: 24](#)

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[reported judgment - PDF pages: 15](#)

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