

M/s New Noble Educational Society v. The Chief Commissioner of Income Tax 1 and Anr.

Civil Appeal No. 3795 of 2014 / Civil Appeal No. 3793 of 2014 / Civil Appeal No. 3794 of 2014 / Civil Appeal No. 9108 of 2012 / Civil Appeal No. 6418 of 2012

[2022] 18 S.C.R. 1082 | 2022-10-19

Whether section 10(23C)(vi) permits an educational institution with non-educational objects to qualify under a predominant-object test; how incidental surplus and business income should be treated and examined at approval; whether mandatory state charity-law registration is relevant; and whether amendments to objects overcome the historical application deadline.

2(15) | 10(23C)(vi) | 10(23C)(iiiab) | 10(23C)(iiia) | 10(23C) second proviso | 10(23C) seventh proviso | 10(23C) fourteenth proviso | 11(4A)

Three-judge bench | Uday Umesh Lalit, CJI | S. Ravindra Bhat, J. | Pamidighantam Sri Narasimha, J.

Assessment years: See the source-scope notes; no year inferred.

Prospective operation; no immediate grant of approval

The law declared is to operate prospectively; the judgment says it operates hereafter to permit appropriate changes and adjustments. Approval or registration claims must be considered in light of subsequent events, if any, disclosed in fresh applications; this is not a direction automatically to grant approval. Educational exemption and approval under the provisions considered. The prospective direction is express, but no AY-specific transition formula, blanket immunity for past periods, or later-law result is certified. References to hospitals and other section 10(23C) categories in paragraph 71 are general reasoning, not separate hospital appeals disposed of here.

[paragraphs 78 / PDF pages 61, 62 / judgment](#); [paragraphs 78 / PDF pages 51, 52 / judgment](#); [paragraphs 2 footnote 3; 74 / PDF pages 10, 59 / judgment](#)

01 FACTS OF THE CASE

Five educational societies challenged rejection of their claims for approval or registration for educational exemption under section 10(23C). The common judgment covers New Noble Educational Society (CA 3795/2014), St. Augustine Educational Society (CA 3793/2014), St. Patrick Educational Society (CA 3794/2014), Sri Koundinya Educational Society (CA 9108/2012), and R.R.M. Educational Society, Hyderabad (CA 6418/2012). The Andhra Pradesh High Court's batch decision dated 11 November 2010 held that the institutions' constitutive documents must show exclusively educational objects. The judgments under challenge also treated non-registration under the Andhra Pradesh Charitable and Hindu Religious Institutions and Endowments Act, 1987 as a ground against approval; paragraph 64 identifies this grievance as arising in some appeals.

The assessees argued that other charitable objects did not defeat eligibility if education was the principal activity and profit was not the motive. They relied particularly on American Hotel and Queen's Education Society and contended that scrutiny of utilisation of income belonged to assessment rather than initial approval. They also said registration under the Societies Registration Act or other trust arrangements sufficed, without additional state charity registration. These were arguments, not findings of entitlement. R.R.M.'s refusal rested, among other grounds, on its hostel activity; the record did not establish whether those facilities served only its own students. Certain institutions had amended their objectives and challenged refusal of approval for the concerned year, but the judgment does not identify those institutions or that assessment year individually (paragraphs 2-17, 64, 68, 74-75).

Source: [reported rendition / paragraphs 2-4 / PDF pages 10, 11, 12, 13, 14, 15 / judgment; reported rendition / paragraphs 5-17 / PDF pages 15, 16, 17, 18, 19, 20, 21 / assessee submissions; reported rendition / paragraphs 64, 68, 74-75 / PDF pages 56, 57, 59 / judgment; official signed judgment / paragraphs 2-4 / PDF pages 2, 3, 4, 5 / judgment; official signed judgment / paragraphs 74-75 / PDF pages 48, 49 / judgment](#)

02 DISCUSSION BY THE HON'BLE COURT

The Court treated education in this statutory setting as formal, structured scholastic learning, drawing on Loka Shikshana Trust and the constitutional discussion in T.M.A. Pai Foundation. It distinguished the general-public-utility context in Surat Art Silk: that decision's predominant-object test could not replace the explicit condition governing an educational institution. Under section 10(23C)(vi), and the related educational clauses (iiiab) and (iiid), all objects must concern imparting or facilitating education. 'Solely' means exclusively, not principally. A different object does not become permissible merely because it too is charitable. Aditanar remains relevant to an educational society working through schools or colleges it establishes or governs; the society need not itself conduct each class. The Oxford University Press discussion distinguishes actual educational activity from merely being a commercial publisher associated with an overseas university (paragraphs 33, 36-51).

The profit prohibition is not an absolute rule that a school must balance income and expenditure exactly. Profit-oriented objects defeat approval, but surplus generated in providing education or educational activities, even across several years, is not by itself disqualifying. The seventh proviso cannot enlarge the main exemption into permission for unrelated business. Business profits must be incidental to education or connected educational activities, and separate books must be maintained for such business. The Court drew the same underlying principle from section 11(4A), within the educational context before it. Examples include textbooks for pupils, school transport, educational summer courses for pupils, and hostel and allied facilities for an institution's own students. By contrast, paragraph 73 addresses letting premises or infrastructure to other entities conducting courses, workshops or seminars that the institution itself does not impart, with outsiders permitted to enrol: that income is not educational or incidental educational income and can fall under other heads. In R.R.M.'s case, hostels for its own pupils could qualify, but the Court expressly left unresolved whether others were served (paragraphs 49-60, 71-74, 76(a)-(d)).

At the approval stage the authority may call for audited annual accounts and other records to test genuineness, actual functioning, and the pattern of income and expenditure. Its inquiry is not confined to the wording of objects. Paragraph 63 nevertheless says the inquiry should ordinarily focus on the nature of the income-generating activity and its educational connection; incidental surpluses should not receive disproportionate weight, and income intrinsically generated by education cannot alone justify refusal. Paragraph 76(f) recognises the practical distinction between newly established institutions and existing institutions with an accounting history (paragraphs 61-63, 76(f)).

The Court upheld the relevance of applicable state charity regulation. Registration under the A.P. Charities Act is mandatory for the covered institutions, supported by its penalties and supervision of accounts, property and administration. Registration as a society did not replace that obligation. More generally, where state or local law makes charity registration obligatory, an applicant under section 10(23C) must comply; the judgment does not impose a single new state registration requirement irrespective of the law actually applicable.

02 DISCUSSION BY THE HON'BLE COURT

Paragraph 76(g) refers to the statutory change effective 1 April 2021 as reinforcing this reasoning. Separately, paragraph 75 upheld rejection of the ground concerning amended objects because the historical application deadline could not be extended for the concerned year (paragraphs 64-70, 75-76(g)).

American Hotel and Queen's Education Society were expressly disapproved and overruled to the extent of their interpretation of 'solely' (paragraph 76(e)). The broader wording in paragraph 60 must be read with that express limitation. The Court also rejected restrictions on approval-stage examination of available accounts drawn from American Hotel. It did not overrule Surat Art Silk in its general-public-utility setting, abolish the distinction between incidental surplus and profit-oriented objects, or overrule Aditanar's treatment of societies operating through their schools. The final paragraph makes the declared law prospective to allow institutions time to adjust, while dismissing the appeals before the Court (paragraphs 39-40, 51, 60-63, 76(e)-(f), 78).

Source: [reported rendition / paragraphs 33, 36-51 / PDF pages 32, 33, 34, 35, 36, 37, 38, 39, 40, 41, 42, 43, 44, 45, 46, 47, 48, 49 / judgment](#); [reported rendition / paragraphs 49-60 / PDF pages 48, 49, 50, 51, 52, 53, 54 / judgment](#); [reported rendition / paragraphs 61-63 / PDF pages 54, 55 / judgment](#); [reported rendition / paragraphs 64-74 / PDF pages 56, 57, 58, 59 / judgment](#); [reported rendition / paragraphs 75-78 / PDF pages 59, 60, 61, 62 / judgment](#); [official signed judgment / paragraphs 49-63 / PDF pages 37, 38, 39, 40, 41, 42, 43, 44, 45 / judgment](#); [official signed judgment / paragraphs 64-76 / PDF pages 45, 46, 47, 48, 49, 50, 51 / judgment](#)

03 JUDICIAL DECISION

The Court dismissed all five assessee appeals without an order as to costs. It upheld the exclusively educational-object requirement, approval-stage inquiry into available accounts and genuineness, and compliance with obligatory state charity registration. It also affirmed the High Court's refusal to interfere on the amended-objects/application-deadline ground for the concerned year. Paragraph 78 leaves claims for approval or registration to be considered in fresh applications in light of subsequent events, if any. The Court directed that the law declared in this judgment operate prospectively, to avoid disruption and allow affected institutions to make changes. It did not allow any connected appeal, order a remand, grant R.R.M. approval on the hostel point, or identify a particular future assessment year as the commencement of the prospective rule.

Source: [reported rendition / paragraphs 75-78 / PDF pages 59, 60, 61, 62 / judgment](#); [official signed judgment / paragraphs 75-78 / PDF pages 49, 50, 51, 52 / judgment](#)

04 OUTCOME / IN WHOSE FAVOUR

In whose favour: Revenue on disposition of all five appeals; prospective operation and fresh-application clarification recorded for institutions

All five assessee appeals dismissed; no order as to costs; no remand or immediate grant of approval

Common interpretive questions decided on merits; R.R.M. hostel clientele not resolved on the record; subsequent events left for fresh applications

Educational exemption and approval under the provisions considered. The prospective direction is express, but no AY-specific transition formula, blanket immunity for past periods, or later-law result is certified. References to hospitals and other section 10(23C) categories in paragraph 71 are general reasoning, not separate hospital appeals disposed of here.

Source: [reported rendition / paragraphs 78 / PDF pages 61, 62 / judgment](#); [official signed judgment / paragraphs 78 / PDF pages 51, 52 / judgment](#); [reported rendition / paragraphs 2 footnote 3; 74 / PDF pages 10, 59 / judgment](#)

05 AKHB REVIEW POINT

For an educational-exemption file, examine every object in the founding instrument, the actual educational activity, applicable state-law registrations, and the source of each income stream. Separate educational receipts and genuinely incidental services from unrelated commercial or premises-use receipts; retain evidence that hostels, transport and comparable services relate to the institution's pupils, and maintain the required separate business books. A surplus percentage alone is not the test, but describing education as the dominant activity cannot cure unrelated objects under the rule declared here. Existing institutions should be prepared to produce accounting history at approval. Read the dismissal, the possibility of a fresh application based on later events, and prospective operation together: the judgment gives no automatic approval and no AY-specific transition rule. Check the historical application deadline and the statutory version governing the actual period instead of treating the deadline discussed here as present-day filing advice. The overruling is limited as stated in paragraph 76(e). Subsequent treatment and legislative changes require separate verification; no automatic mapping to the Income-tax Act, 2025 is made.

Source: [reported rendition / paragraphs 49-51, 58-63, 69-76, 78 / PDF pages 48, 49, 53, 54, 55, 57, 58, 59, 60, 61, 62 / judgment](#)

DETAILED DISPOSITION AND CONNECTED GROUPS

Prospective operation

Directed: True

Source paragraph: 78

Description: The law declared is to operate prospectively; the judgment says it operates hereafter to permit appropriate changes and adjustments.

Judgment date: 2022-10-19

Specified first assessment year: Not stated in the reviewed record

Fresh application clarification: Approval or registration claims must be considered in light of subsequent events, if any, disclosed in fresh applications; this is not a direction automatically to grant approval.

Connected appeals

1.

Case number: Civil Appeal No. 3795 of 2014

Appellant: M/s New Noble Educational Society

Disposition: Dismissed; paragraph 78 common order

2.

Case number: Civil Appeal No. 3793 of 2014

Appellant: M/s St. Augustine Educational Society

Disposition: Dismissed; paragraph 78 common order

3.

Case number: Civil Appeal No. 3794 of 2014

Appellant: M/s St. Patrick Educational Society

Disposition: Dismissed; paragraph 78 common order

4.

Case number: Civil Appeal No. 9108 of 2012

Appellant: M/s Sri Koundinya Educational Society

Disposition: Dismissed; paragraph 78 common order

5.

Case number: Civil Appeal No. 6418 of 2012

Appellant: M/s R.R.M. Educational Society Hyderabad

Disposition: Dismissed; paragraph 78 common order

Specific clarification: Paragraph 74: hostel and allied facilities only for its own students would be incidental to education; clientele was unclear, with no separate allowance or remand.

ADDITIONAL STATUTORY CONTEXT, NOT SEPARATE HOLDINGS

10(22) (repealed); 10(22A) (repealed); 10(23C)(iv); 10(23C)(v); 10(23C)(via); 10(23C) first, third, twelfth, thirteenth, fifteenth and sixteenth provisos; 11(5); 12AA; 13; 115BBC

PROVISION-SPECIFIC SCOPE

1.

Provision: 10(23C)(vi)

Role: Principal approval/exemption provision and meaning of solely for educational purposes and not for purposes of profit

Paragraphs: 2-4, 34, 49-63, 76-78

2.

Provision: 10(23C)(iiiab) and (iiid)

Role: Companion educational exemption categories sharing the solely-educational and not-for-profit conditions; discussed in the reasoning, not independently adjudicated applications in these appeals

Paragraphs: 31, 51

3.

Provision: 2(15)

Role: Definition of charitable purpose and distinction between education and advancement of general public utility

Paragraphs: 30, 33, 36-39, 51

4.

Provision: 10(23C) second proviso

Role: Power to seek accounts and information and investigate genuineness at the approval stage

Paragraphs: 31, 61-63, 76(f)

5.

Provision: 10(23C) seventh proviso; 11(4A)

Role: Incidental educational business, connection to the educational object, and separate books of account; section 11(4A) is addressed by parallel reasoning rather than a separately disposed section 11 assessment

Paragraphs: 49, 58-60, 71-74, 76(c)-(d)

6.

Provision: 10(23C) fourteenth proviso (historical version)

Role: Application deadline considered in rejecting the ground concerning institutions that amended their objectives; no power to extend the deadline found for the concerned year

Paragraphs: 31, 75

7.

Provision: 10(22) (repealed)

Role: Predecessor educational exemption considered through earlier authorities; not the operative approval provision in these appeals

Paragraphs: 39-44

8.

Provision: Other listed sections and provisos

Role: Statutory setting, quoted provisions, or quoted precedent; no independent holding on anonymous donations, investment modes, or section 12AA registration

Paragraphs: 7-11, 30-31, 44, 62

OTHER LAWS CONSIDERED

1.

Name: Andhra Pradesh Charitable and Hindu Religious Institutions and Endowments Act, 1987

Provisions: 1(3)(a); 2(4); 2(5); 43; 44; 58; 72-77

Role: Mandatory state charity registration and regulatory framework relevant to genuineness and approval; section 58 appears in the quoted High Court reasoning

Paragraphs: 4, 64-70, 76(g)

2.

Name: Andhra Pradesh Societies Registration Act, 2001

Role: Registration relied on by assessees did not dispense with applicable state charity-law requirements

Paragraphs: 14, 68-70

TREATMENT OF PRECEDENTS IN THIS JUDGMENT

1.

Case: American Hotel and Lodging Association v. Central Board of Direct Taxes

Citation as printed: (2008) 10 SCC 509

Treatment: Overruled to the extent of the interpretation of solely; approval-stage accounts restrictions also rejected

Paragraphs: 60-63, 76(e)-(f)

Limit: Not described as overruled for every proposition; prospective operation in paragraph 78 retained.

2.

Case: Queen's Education Society v. Commissioner of Income Tax

Citation as printed: (2015) 8 SCC 47

Treatment: Overruled to the extent of the interpretation of solely

Paragraphs: 60, 76(e)

Limit: Paragraph 76(b) still accepts that incidental educational surplus is not by itself a bar.

3.

Case: Additional Commissioner of Income Tax v. Surat Art Silk Cloth Manufacturers' Association

Citation as printed: (1980) 2 SCC 31

Treatment: Distinguished as general-public-utility context; predominant-object test held inapt for the educational provision

Paragraphs: 38-39, 51

Limit: No general overruling of Surat Art Silk asserted.

4.

Case: Aditanar Educational Institution v. Additional Commissioner of Income Tax

Citation as printed: (1997) 3 SCC 346

Treatment: Applied to the character of a society establishing or governing educational institutions

Paragraphs: 40, 48(i)-(ii)

Limit: Solely educational objects remain required.

5.

Case: Oxford University Press v. Commissioner of Income Tax

Citation as printed: (2001) 3 SCC 359

Treatment: Majority reasoning discussed concerning commercial publishing and the need for educational activity

Paragraphs: 41-42, 48(iii)

Limit: The dissent quoted in paragraph 41 is not presented as the majority holding.

6.

Case: Assam State Text Book Production & Publication Corpn. Ltd. v. Commissioner of Income Tax

Citation as printed: (2009) 17 SCC 391

Treatment: Referred to for textbooks as part of a larger educational activity

Paragraphs: 72

Limit: Not a general exemption for all commercial publishing.

SOURCE & VERIFICATION

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

Identified source rendition: 62 PDF pages; SHA-256

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The full judicial text is paragraphs 1-78 on reported physical pages 9-62. Pages 1-8 and part of page 9 are editorial matter. There is no neighbouring judgment in the asset.

One common decision covers five appeals. All are dismissed. R.R.M. receives a conditional hostel clarification, not an allowance or a remand; fresh applications based on subsequent events are left open for the appellants.

Paragraph 78 expressly directs prospective operation but does not identify a first assessment year or spell out every consequence for pending or completed assessments. The note does not invent transitional relief.

Paragraph 60 uses broader overruling language; paragraph 76(e) expressly limits overruling to the interpretation of solely. The summary preserves that limitation and separately reports the approval-stage accounts ruling.

A finding that education-generated surplus is not by itself disqualifying must not be replaced with a categorical no-profit rule. Paragraph 63 also cautions against disproportionate focus on incidental surplus.

Paragraph 74 leaves the factual scope of R.R.M. hostel facilities unclear. Paragraph 73 concerns the particular third-party premises/course arrangement it describes, not an independently assessed rental receipt in each appeal.

No assessment year is specified for these appellants; AY 1998-99 appears only in quoted American Hotel material. Exact dates and profit figures from quoted authorities are not attributed to the present appeals.

The section heading preceding paragraph 35 reads Institutions existing solely for profit in both renditions, contrary to the issue and reasoning; it is not treated as a holding. The reported headnote cites paragraphs 70-71 to SCR 1159, beyond this asset; the verified judicial location is SCR 1139 (physical page 58).

Paragraph 31 quotes the historical application deadline as on or before 30 September; paragraph 75 uses before 30 September as shorthand. The note reports the historical deadline issue without converting it into current compliance advice.

Paragraph 71 has awkward statutory paraphrasing of section 11(4A). The note states the incidental-business and separate-books point from the reasoning and conclusion, not that garbled passage as an exact statutory quotation.

The original 52-page judgment and the 62-page SCR rendition have different pagination and SHA-256 hashes. They are linked as renditions of the same decision, with original bytes unchanged.

The metadata-only neutral citation 2022INSC1111 remains unverified. The displayed verified citation is [2022] 18 S.C.R. 1082.

SCR citation verified on physical PDF page 1. The supplied index records 2022INSC1111, but that neutral citation is not printed in either inspected PDF and is not independently verified here.

The judgment does not specify an assessment year for these five appellants. The AY 1998-99 and associated dates in paragraph 44 belong to the quotation from American Hotel. Paragraph 75 refers to the concerned year without identifying it; no AY has been inferred from the High Court date or appeal numbers.

Five connected civil appeals are listed on the official cover; paragraph 2, footnote 3 identifies each appellant. They form one common judgment and one dismissal group, not five distinct decisions.

STATUTORY SCOPE

Historical section 10(23C) framework; paragraph 31 labels the reproduced provisos as of 2012, while paragraphs 62 and 76(g) also discuss later text, including the change effective 1 April 2021. No independent consolidated current-statute audit.

No automatic mapping to the Income-tax Act, 2025, no current approval-route or deadline certification, and no comprehensive subsequent-treatment review.

LATER TREATMENT

Source checked 2026-10-04. Subsequent appeals, review proceedings, stays, reversals and later judicial treatment have not been comprehensively checked. This note is not a citator status certificate.

IDENTIFIED SOURCE LINKS

[reported rendition - Physical PDF page 1 / SCR page 1082 - PDF pages: 62](#)

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