

**GOVERNMENT OF INDIA
FINANCE
LOK SABHA**

UNSTARRED QUESTION NO:2261
ANSWERED ON:12.08.2011
BENEFITS OF EXEMPTION OF EDUCATIONAL INSTITUTES
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Will the Minister of FINANCE be pleased to state:

- (a) whether Income Tax Department has conducted any study to find out whether the system of exemption of tax given to private educational institutes have benefitted the poor students or not;
- (b) if so, the details thereof and if not, the reasons therefor; and
- (c) the reaction of the Government in this regard?

Answer

MINISTER OF STATE IN THE MINISTRY OF FINANCE(SHRI S.S. PALANIMANICKAM)

(a): No formal study has been carried out by the Central Board of Direct Taxes in this regard.

(b) and (c): The income of public trusts engaged in charitable activities is exempt under section 11 and 12 of the Income-tax Act, 1961("Act") subject to the fulfilment of conditions prescribed therein. Education is one of the 'charitable purpose' under section 2(15) of the Act and educational institutions are required to seek registration under section 12AA to claim the benefit of exemption provided in section 11 and 12 of the Act. Further, sections 10(23C) (iiiad) and 10(23C)(vi) of the Act also provide for exemption of income of the educational institutions subject to certain conditions, including inter alia, that they should not exist for profit.

Under the Income Tax Act, the criteria for granting exemption to an entity is that its object must fall under the definition of 'charitable purpose' u/s 2(15) and providing education is one of such purposes. The exemption to educational institutions is not granted on the basis of considerations like 'rich' or 'poor' students admitted therein. Hence, any treatment based on the criteria of the family income of students is not relevant for granting exemption.

In view of the above, there has been no occasion to conduct a study to find out whether the system of exemption of tax given to private educational institutes has benefitted the poor students or not.