

**GOVERNMENT OF INDIA  
FINANCE  
LOK SABHA**

UNSTARRED QUESTION NO:2960

ANSWERED ON:12.08.2005

TAX EXEMPTION

Jha Shri Raghunath

**Will the Minister of FINANCE be pleased to state:**

- (a) whether tax assessment of private schools, colleges and charitable trusts are completed in a summary manner;
- (b) if so, the details of private schools, colleges and charitable trusts taken up for scrutiny assessments during the year and previous year and the outcome thereof; and
- (c) the steps taken to ensure that the provisions of tax exemptions are applied with utmost care to only genuine and eligible institutions?

**Answer**

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

(a) Every year less than approximately 5% cases are taken up for scrutiny in accordance with scrutiny guidelines laid down for that year.

(b) The scrutiny guidelines for non-corporate and corporate assesseees for 2005-06 provide that all cases of educational institutions (other than those, which are substantially financed by the Government) whose aggregate annual receipts exceed Rs.10.00 crores in Delhi, Mumbai, Chennai, Kolkata, Pune, Hyderabad, Bangalore and Ahmedabad and exceed Rs.5.00 crores at other places will be scrutinized.

As per the norm laid down in the scrutiny guidelines for the year 2004-05, all cases where income exceeding Rs.10.00 lakhs was claimed as exempt in case of corporate assesseees and income exceeding Rs.2.00 lakhs was claimed as exempt in case of non-corporate assesseees, were selected for scrutiny. Further, all cases where exemption was claimed under section 11 of the IT Act and the gross receipts exceeded Rs.5 crores, were also taken up for scrutiny.

The outcome of the cases taken up for scrutiny will be known after the assessments are completed and, where appeal is filed by the assessee, after the disposal of the appeal.

(c) For claiming exemption, an educational institution must exist solely for educational purposes. The objectives as stated in its constitution and also as reflected in the expenditures incurred by it or activities carried out by it must also show absence of profit. For obtaining the approval of the Central Government under the relevant provision of Section 10 of I.T. Act, 1961, the applicant will have to furnish the relevant information in the prescribed form and in accordance with the statutory rules.

Where an applicant running and managing educational institutions depends upon recognition as a charitable and educational institution on year-to-year basis, it files return in the prescribed form for such purpose under section 11 of the Act to the Assessing Officer authorized for the purpose, Section 11 lays down stringent procedure to ensure that exemption is denied where the activities of the applicant disclose any private profit contrary to the norms of public charitable purpose.