

Section 10 (23C) of the Income Tax Act

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According to Supreme Court, educational institutions that are aiming to make a profit are not entitled to approval under section 10(23C) of the Income Tax Act.



[ref: Free Press Journal]

About Section 10(23C):

- It is a **specific exemption available to certain Government and non-government universities and educational institutions.**
- Income received by any university or educational institution existing solely for educational purposes and not for purposes of profit, and which is wholly or substantially financed by the Government is **fully exempt from tax vide Section 10(23C) (iiiab).**
- Hence, a **government educational institution is fully exempt** from income tax without any separate approvals etc. as long as it is not for profit purpose.
- The exemption for **non-government (private) educational institutions** depends upon the aggregate annual receipts of the university / educational institution.

Educational Institutions/medical institution with annual receipts up to Rs. 5 crores:

- Section 10(23C) (iiia) provides that the income earned by any university or educational institution existing solely for educational purposes and not for the purposes of **profit shall be exempt from tax** if the aggregate annual receipts of such university or educational institution **do not exceed Rs. 5 crores.**

Educational Institutions/medical Institution with annual receipts exceeding Rs. 5 crores:

- Exemption in the case of an educational institution having receipts exceeding Rs. 5 crore is governed by Section 10(23C) (vi) which states that income earned by any university or other educational institution existing solely for educational purposes and not for purposes of profit, other

than those mentioned in sub-clause (iiiab) or sub-clause (iiid), **shall be exempt if they are approved by the prescribed authority.**