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## ***‘Education’ to be understood bearing in mind the changing times and the march of technology: Delhi HC***

*‘Education’* in layman’s terms means *‘the process of teaching or learning, especially in a school or college’*. However, for the purposes of section 2(15) of the Income Tax Act, 1961 (‘the Act’) the term *‘education’* and the meaning and contours thereof, have been subject matter of great discussion and debate, especially considering the advancements made in the field of technology which has led to sprouting of new modes of instruction and dissemination of information and knowledge.

It is in this context that restricting the term *‘education’* to mean *‘dissemination of teaching and/ or learning within the four corners of a school or college only’*, in order to avail the benefit of the exemption contemplated under sections 11/ 12 of the Act is a proposition quite abstruse. In the recent ruling of *NIIT Foundation*,<sup>1</sup> the **Delhi High Court** held that *“the mode and manner in which education is imparted would be a concept which would necessarily be evaluated bearing in mind the march of technology and the myriad modes of imparting instructions which now exist and have enabled institutions to overcome barriers of distance and time.”*

### **Facts & Issue before the Court**

The dispute arose in the background of following facts:

- The Assessee, a society registered under the Societies Registration Act, 1860, held registration under section 12A and also under section 80G(5) of the Act.
- The Commissioner of Income tax (Exemptions) (‘CIT(E)’), in exercise of revisionary jurisdiction under section 263, raised doubts regarding the charitable nature of activities undertaken by the Assessee, on the reasoning that the same did not qualify the test of “education” as explained by the Hon’ble Supreme Court in its judgment of *Lok Shikshana Trust*<sup>2</sup> - the CIT(E) reasoned that (i) *the Assessee was not affiliated with any regulatory body*, (ii) *the Assessee was rendering services for profit and not engaged in any educational/ charitable activity*, and (iii) *with the element of formal education being absent, the activities being carried out by the Assessee could not be construed as “education” within the meaning of section 2(15) of the Act.*
- In further appeal by the assessee, the Income Tax Appellate Tribunal (‘Tribunal’) disapproved the conclusions reached by the CIT(E) and after a thorough factual analysis, concluded that the activities undertaken by the Assessee, did indeed qualify as “education”.

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<sup>1</sup> *Commissioner of Income Tax (Exemptions), Delhi vs. NIIT Foundation* [ITA No.141 of 2021; Judgment pronounced on 26.07.2024] [2024: DHC: 5479-DB]

<sup>2</sup> *Sole Trustee, Lok Shikshana Trust vs. CIT* (1976) 1 SCC 254

The Revenue came up in appeal before the High Court, *inter alia*, on the question of whether the activities of the assessee qualified as “education” within section 2(15) of the Act?

### **Contentions for the Parties**

**On behalf of the Revenue**, it was argued that – (i) in terms of the principles laid down in *Lok Shikshana Trust*, for the purposes of section 2(15), the Assessee was required to be engaged in *conducting systematic and formal instruction, schooling or training*; (ii) merely by administrating courses without any fixed curriculum, the Assessee could not claim to be carrying out any education; (iii) the Assessee has also charged fees from students and has received moneys from various corporate houses on which TDS has been deduced under section 194J of the Act; (iv) thus, the Assessee was engaged in conducting commercial and not educational activities; and (v) consequently, the Assessee could, at best, be classified as an institution providing services which are of General Public Utility.

*Au contraire*, **on behalf of the Assessee**, it was argued that – (i) during the relevant year, the Assessee had conducted various training programs at centres run by it and at NGO-partner centres; (ii) the Assessee had undertaken many digital literacy initiative such as establishment of Hole-in-the-Wall Learning Stations across the country which enables children to improve their understanding of Science, IT, English, General Knowledge, and Mathematics; (iii) details of application of income had been furnished before lower authorities which duly indicated that said income was used solely for the purposes of imparting education; (iv) the Assessee was also certified by the National Skill Development Counsel; and, (v) insofar as receipt of funds from corporate houses is concerned, these were essentially donations given to the Assessee as part of their Corporate Social Responsibility which were ultimately utilized by the Assessee solely for the purposes of undertaking educational activities. Thus, the activities undertaken by the Assessee fall within the scope of ‘education’ in terms of section 2(15) of the Act.

### **Reasoning and Conclusion**

After having noted the arguments advanced by the parties, the High Court, observed that - the Assessee was found to have essentially undertaken educational activities spread across various subjects and streams, providing opportunities to underprivileged youth and skilling them for the purpose of future employment; furthermore, digital literacy initiatives were undertaken by Assessee, its revenue streams were disclosed to flow from tuition fees and the fee structure was highly subsidized, all of which point to the fact that the Assessee was carrying out charitable activities which fall within the meaning of the word ‘education’. Even the funds received from various corporate houses were utilized solely for the purposes of educational activities.

Importantly, the High Court, taking note of the principles outlined by the Apex Court in both, *Lok Shikshana Trust*, and subsequently in *New Noble Educational Society*<sup>3</sup> affirmed the position that affiliation with and recognition by a regulatory authority are not essential attributes of ‘education’ under section 2(15) of the Act. Consequently, the Court concluded that the tests propounded in *Lok Shikshana Trust* regarding the meaning and purport of

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<sup>3</sup> *New Noble Educational Society vs. CCIT* [2022] 448 ITR 594 (SC)

'education' under section 2(15) of the Act, as being concerned with training and developing knowledge, skill, mind and character by formal schooling, were clearly met by the Assessee.

Lastly, and most crucially, the Court also took note of the changing times and emphasised the need for a pragmatic interpretative approach, observing that the mode and manner in which education is imparted is a concept which would necessarily have to be evaluated bearing in mind the march of technology and the myriad modes of imparting instruction which now exist and have enabled institutions to overcome barriers of distance and time; imparting of educational instruction through adoption of these new technologies *does not detract from the meaning of structured and formalistic education, as envisaged under section 2(15) of the Act*, and interpreted by the Apex Court in *Lok Shikshana Trust*.

The case was represented by **Mr. Ajay Vohra, Sr. Advocate**, instructed and assisted by the team of **Vaish Associates Advocates, comprising of Mr. Rohit Jain, Mr. Aniket D. Agrawal and Mr. Samarth Chaudhari, advocates.**

### VA Comments

This ruling of the Delhi High Court marks an important development on the issue of what amounts to and falls within the scope of the term 'education' for the purposes of section 2(15), which ultimately grants eligibility to Assesseees to claim benefit of exemptions contemplated under sections 11/12 of the Act.

The Delhi High Court, apart from succinctly outlining the meaning and ambit of the term 'education', also noted the existing judicial precedents in this regard and reconciled principles and tests pronounced therein with the changing trends of time and advancements made in the field of communication and technology, which amongst other things, enables the dissemination of knowledge, training and skill for the purposes of future employability beyond the four corners of a classroom in a school or college.

The High Court also paved the way for new modes, methodologies and pedagogy of imparting skill, training and education in the digital era, that too without striking a discordant note from the principles enunciated by the Apex Court which have stood solidified over decades.

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