



भारत सरकार GOVERNMENT OF INDIA  
आयकर विभाग/INCOME TAX DEPARTMENT  
मुख्य आयकर आयुक्त का कार्यालय (टी.डी.एस.) बंगलूरु  
Chief Commissioner of Income Tax (TDS), Bengaluru.  
Central Revenue Building, Queen's Road, Bengaluru - 560 001  
Tel. No 080 22860738 / 22865938 (fax) /22861932 (fax)

दिनांक/Dated 03 02 2017

फा सं /मु आ आ (टी.डी.एस)/2016-17  
F.No Misc Corrs /CCIT(TDS)/2016-17

To

The Pr Chief Commissioner of Income Tax  
Karnataka and Goa Region  
Bengaluru

Madam,

Sub Clarification on tax deduction on stipend to post-graduate students – regarding

Ref Pr CCIT, Karnataka and Goa, Bengaluru, letter F No 142 / Pr.CC / Tech / 2016-17 dated 30.1.2017.

Please refer to your letter under reference on the subject mentioned above

I have gone through the letter of the Principal, Mysore Medical College, seeking clarification as to whether, stipend paid to students doing post-graduation is liable for deduction of tax at source or is it exempted u/s 10(16) of the Income Tax Act

I have examined the issue and I am of the opinion that the stipend would be in the nature of scholarship granted to meet the cost of education and shall therefore be exempt u/s 10(16) of the I T Act. That being so, there is no liability to deduct tax at source from such stipend paid to the students doing post-graduation in the medical college. There have been various Court decisions on this issue all of which are unanimous in holding that such stipends are exempt u/s 10(16) of the I T Act

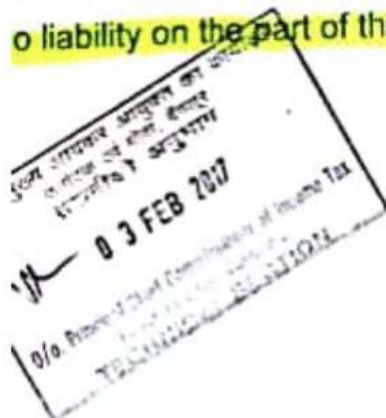
The Board has also from time to time issued a large number of clarifications clarifying specific scholarship / stipend as exempted from income tax. However, there is no specific provision in the Act to approach the Board for such clarification every time. The Hon'ble Madras High Court in the case of *CIT Vs V K Balachandran 147 ITR 4 (Mad)* has not only clearly held that such scholarships have to be treated as exempt income u/s 10(16), but has went on to pass stricture against the department for pursuing such matters before the High Court when the CBDT has time and again clarified that such stipends are exempt. The Court further went on to award cost of Rs 500 on the CIT in that case. For the sake of clarity, I am reproducing the observation of the Court below:-

*"Before closing the judgment, it is necessary to point out that the interpretation we have placed on Section 10(16) is the way in which it has been understood and is being applied in several cases by the highest revenue authority under the I T Act, namely, the CBDT. Our attention has been drawn to a few circulars where the Board have issued instruction to the subordinate officers as to how they have got to deal with the scholarship, remuneration, maintenance grants and other receipts which are received by foreign scholars in Indian Institutions of higher learning like the Council of Industrial and Scientific Research. The Board, we may observe, has proceeded on a liberal understanding of the provisions of Section 10(16) and have accordingly given instructions to the departmental officials at the assessment level to grant exemption from tax to scholarships apparently without making much fuss about the precise nature of the receipts so long as the receipts of the scholars can be broadly brought under the heading "Scholarship" and so long as the terms of the scholarship do not contain any purpose extraneous to education. In the face of these circulars, we are at a loss to understand why the present reference is being pressed to a decision by the Department in the Madras Charge. There cannot be one rule for foreign students*

receiving scholarships in India and the tax treatment of such scholarships under the I T Act and quite a different rule or a contrary application of the same rule, so far as the Indian scholars in foreign parts are concerned. The nature of the scholar or a foreigner whether he be white, brown or black, whether he receives the scholarship from an Indian institution or from a Western institution. The essence of scholarship is that it should pay for the educational enterprises of a man's pursuit after knowledge. If scholarship are given for such a purpose, it cannot matter whether the recipient is of Indian origin or is of a foreign origin. We hope that there would be even handed justice from the CBDT and all the subordinate officials of the Income-tax Department in the matter of applying the exemption for scholarship irrespective of to whom and by whom these scholarships are meted out.

For the reasons which we have earlier rendered on the facts of this case and on a true construction of the statutory provisions, our answer to the question of law must be in favour of the assessee and against the Department. We dispose of the reference accordingly. The Commissioner of Income-tax will pay the costs of the assessee in this case. Counsel's fee Rs.500".

I am, therefore, of the considered opinion that stipend paid to post-graduation students by the Medical College shall be of the nature of scholarship mentioned in section 10(16) of the I T Act and accordingly exempted from income tax. There is no liability on the part of the Medical College to deduct tax from such payments.



Yours faithfully,

(Bishwanath Jha)

मुख्य आयकर आयुक्त(टी.डी.एस),बेंगलूरु  
 Chief Commissioner of Income Tax(TDS),Bengaluru