

CIRCULAR No.56

SUBJECT :- Exemption from the payment of contribution of hostels, public libraries and reading rooms, trusts for education as well as interpretation of rule 32.

The Deputy Charity Commissioner, Ahmedabad, has raised the following four questions –

i)Whether expenses incurred in maintaining as hostel for students receiving secular education in various recognized institutions are exempt from the payment of contribution under rule 32(3)(i) of the Bombay Public Trusts Rules, 1951.

ii)Whether sub clauses (i) and (ii) of clause (3) or rule 32 of the Bombay Public Trusts Rules, 1951 and not sub rule (1) of rule 32, will apply to public trust for the purpose of secular education imparted by a recognized institution and for the purpose of medical relief.

iii)Whether certificates to the effect that (i)the public trust imparting secular education is a recognized institutional (ii)the students to whom scholarships, prizes, loans etc. are given are receiving secular education imparted by a recognized institution, (iii)the library and/or reading room is exclusively meant for students receiving secular education imparted by a recognized institution, should be insisted upon from the trustee/s of such public trusts.

iv)Whether a public library or a reading room used generally by members of the public can claim benefit of rule 32(1) or 32(3)(i) as the case may be, without its being a recognized institution as provided in rule 32(1) explanation (b).

Regarding the first question :

If an hostel, maintained only for students receiving secular education in various recognized institutions, is registered as an independent public trust, it will be totally exempt from the payment of contribution by virtue of rule 32(1) of the Bombay Public Trusts Rules, 1951, even though there might be a clear surplus of income over expenditure.

In case such an hostel belongs to and is run by some other public trust the method of determining income liable to contribution shall be as follows :-

a)If the trust does not recover any charges from the students for their board and lodging and the entire expenditure is met from the income of other trust property, the entire expenditure of running the hostel can be

claimed as a deduction under rule 32(3)(i), while determining the gross annual income liable to contribution.,

b) If the trust recover board and lodging charges from the students, then –

i) in case there is an excess of income over expenditure in running the hostel, such excess or surplus is liable to payment of contribution and should be added to the income of the other trust property ; and

ii) in case there is an excess of expenditure over income on account of the hostel, such net expenditure or deficit can be claimed as a deduction under rule 32(3)(i) out of the income of other trust property, while determining the income liable to contribution.

As an alternative to the method indicates at (b) above, the actual charges recovered from the students for their board and lodging may included straightway in the income from other trust property, and the gross expenditure of running the hostel may be claimed as a deduction therefrom under rule (3)(i) while determining the income chargeable to contribution.

Regarding the second question :

Sub rule (1) of rule 32 will apply when a public trust is for the purpose of secular education imparted by a recognized institution and for the purpose of medical relief. It is not correct to say that a public trust exclusively for secular education imparted by a recognized institution or a public trust exclusively for medical relief only can claim complete exemption from payment of contribution under rule 32(1). In other words, if a public trust is for the purpose of secular education imparted by a recognized institution as well as for the purpose of medical relief, there being no other charitable or religious objects, it would be covered by Rule 32(1), in so far as the payment of contribution is concerned.

Regarding the third question :

As it is the statutory obligation of Chartered Accountants or persons authorized to audit accounts to see that the deductions claimed are permissible under the rules, there is no need for the Regional Officers, to insist upon any of the three certificates from the trustee/s a public trust. It will, however, be open to them, to call for such information under section 37, if a doubt arises in their minds or if information is received by them challenging the deductions.

Regarding the Fourth question :

Under rule 32(1) read with Explanation(a) and (b), public libraries and reading rooms recognized by the director of Education, Bombay State, are exempt from the payment of contribution. There are certain other libraries recognized by the government of Bombay under the Library Development Scheme. It has been decided that such libraries should also be exempt from the payment of contribution, but final orders of

Government are yet awaited. Libraries not falling under either of the foregoing two categories are not exempt from the payment of contribution.

Dated : 4<sup>th</sup> July, 1953,

D.R.PRADHAN  
Charity Commissioner, Bombay