

GOVERNMENT OF INDIA  
MINISTRY OF FINANCE  
DEPARTMENT OF REVENUE

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LOK SABHA  
UNSTARRED QUESTION NO.2712

TO BE ANSWERED ON FRIDAY, THE 17<sup>th</sup> March, 2017  
PHALGUNA 26, 1938-39 (SAKA)

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Tax Exemption to Urban Development Authorities

2712. SHRI. PARESH RAVAL:

Will the Minister of FINANCE be pleased to state:

- (a) Whether the Urban Development Authorities are statutory authorities and perform planning and development functions for the welfare of society and their activities cannot be termed as being in the nature of trade, commerce or business;
- (b) If so, the details thereof;
- (c) Whether such authorities enjoyed complete exemption from Income Tax u/s 10(20A) of the Income Tax Act, 1961 till 2002-2003 and their income has been made taxable w.e.f. 01.04.2003, if so, the details thereof;
- (d) Whether the State Government of Gujarat has taken up the issue with Government for favourable action to enable urban development authorities to become financially more viable for development of the urban periphery; and
- (e) If so, the details thereof, and the action taken thereon?

A N S W E R

MINISTER OF STATE IN THE MINISTRY OF FINANCE  
(SHRI SANTOSH KUMAR GANGWAR)

(a)& (b): The formation of Urban Development Authorities ('UDAs') and the nature of activities undertaken by them are governed by their respective constituting Acts. These entities now claim to fall within the purview of section 2(15) of Income-tax Act, 1961 ('Act') (which defines the term 'charitable purpose') and claim tax exemption u/s 11 of the Act. Subject to conditions in the prescribed provisions, entities engaged in the advancement of certain objects of general public utility are not eligible for tax exemption if their activities are in the nature of trade, commerce or business etc., irrespective of the nature of use/application or retention of the income from such activities. The activities undertaken by UDAs, which include sale and purchase of land, developing and selling residential/commercial properties, leasing/letting out premises on rent and earning revenue through leasing out of hoardings etc. are generally of such nature and hence do not qualify for tax exemptions u/s 11 of the Act.

(c): Yes, till 31.03.2003 any income of an authority constituted in India by or under law enacted either for the purpose of dealing with and satisfying the need for housing accommodation or for the purpose of planning, development or improvement of cities, towns and villages, or for both was exempt u/s 10(20A). This provision was discontinued w.e.f. 01.04.2003. Thereafter, unless such entities qualify for tax exemption u/s 11[read with section 2(15) and 12A] or section 10(46) of the Act, their income does not qualify for exemption.

(d) & (e): Representation seeking suitable modifications in the present tax laws for exemption in respect of income of the Urban Development Agencies (UDAs) was received from Government of Gujarat. The issue of exemption to UDAs was examined and was not found feasible in view of the stated policy of the Government to do away with the exemptions and deductions in a moderate tax regime.

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