

GOVERNMENT OF INDIA  
MINISTRY OF FINANCE  
DEPARTMENT OF REVENUE

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**LOK SABHA**  
**UNSTARRED QUESTION NO. 735**

TO BE ANSWERED ON FRIDAY THE 14<sup>TH</sup> December 2018/ AGRAHAYANA 23, 1940 (SAKA)

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**“Urban Development Authority”**

**735. SHRI DEVUSINH CHAUHAN**

“Will the Minister of FINANCE be pleased to state:-

- (a) Whether the Government has agreed that 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, if so, the details thereof;
- (b) Whether these authorities enjoyed complete exemption from Income Tax u/s 10(20-A) 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;
- (c) Whether the Gujarat Government has taken up the issue with his Ministry on 26/11/2014 for favourable action on this crucial issue to enable Urban Development Authorities to become financially more viable for development of the Urban periphery; and
- (d) If so, the action taken / being taken by his Ministry for making the Urban Development authorities viable for development work ?”

**ANSWER**

**MINISTER OF STATE IN THE MINISTRY OF FINANCE**  
**(SHRI SHIV PRATAP SHUKLA)**

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(a) 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.

(b) 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.

(c)&(d) A representation dated 26.10.2015 stating that the issue of exemption to Urban Development Authorities (UDA) was raised by the Hon'ble Finance Minister, Government of Gujarat (GoG) in his meeting with Hon'ble Finance Minister, Government of India (GoI) on 26.12.2014, was received from the Addl. Chief Secretary, Government of Gujarat. Further representations were also received in this regard. It has been stated that the income of UDAs enjoyed complete exemption from taxation, till 2002-03 under section 10(20A) of the Act prior to its omission; and later, by obtaining registration under section 12AA of the Act; before it became taxable due to modification of the provisions relating to charitable purpose w.e.f. 01.04.2009. The issue of exemption to UDAs was examined and 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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