

**GOVERNMENT OF INDIA
FINANCE
LOK SABHA**

UNSTARRED QUESTION NO:670

ANSWERED ON:25.02.2009

IT EXEMPTION

Gadhavi Shri Pushpdan Shambhudan;Thakkar Smt. Jayaben B.

Will the Minister of FINANCE be pleased to state:

(a) Whether the status of State Maritime Boards has been excluded from the definition of ``Local Authority`` under the Finance Act, 2003;

(b) if so, the reasons therefor;

(c) whether some of the States have made representations to the Union Government for waiving of income tax from the State Maritime Boards; and

(d) If so, the reaction of the Government thereto?

Answer

MINISTER OF STATE IN THE MINISTRY OF FINANCE:(SHRI S.S. PALANIMANICKAM)

(a) Vide Finance Act, 2002, definition of "local authority" under clause(20) of section 10 was made restrictive so as to include Panchayats, Municipalities, Municipal Committee and District Boards and Cantonment Boards only. This amendment was made effective from 1st April, 2003. Entities like State Maritime Boards thus went outside the scope of exemption available under that section.

(b) The above amendment was based on the recommendation of Advisory Group on Tax Policy and Tax Administration for the Tenth Plan which had suggested deletion of exemption provided under section 10(20) of the Income-tax Act. The restrictive definition was adopted considering the need to phase out exemptions consistent with a moderate tax regime. However, exemption in the case of Panchayats, Municipalities, Municipal Committee etc. was retained as they are local self-government institutions.

(c) Yes, Sir.

(d) The request was examined and not found feasible.