

**GOVERNMENT OF INDIA
FINANCE
LOK SABHA**

UNSTARRED QUESTION NO:194
ANSWERED ON:03.07.2009
STATE MARITIME BOARDS
Pathak Shri Harin

Will the Minister of FINANCE be pleased to state:

- (a) The reasons for imposing tax on State Maritime Board/Port Authorities;
- (b) Whether the Union Government has received proposals from concerned States to amend the Income Tax Act, 1961 to exclude the State Maritime Boards from the purview of the Income Tax; and
- (c) If so, the details thereof and the action taken by the Government thereon?

Answer

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

(a) to (c): 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 Port Trust/State Maritime Boards thus went outside the scope of exemption available under that section. 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. Representations were received seeking restoration of the tax exemption for Port Trust/State Maritime Board. These requests were examined and not found feasible. The restrictive definition of the term 'local authority' was adopted considering the need to phase out exemptions inconsistent with a moderate tax regime. Policy imperatives currently being the same, revival of exemption to Port Trust/State Maritime Board is not under consideration.