

Calcutta State Transport Corporation v. Commissioner of Income-Tax, West Bengal

Civil Appeal No. 592(NT) of 1978

[1996] 3 SCR 50 | 1996-02-29

Whether this statutory transport corporation was a local authority for the historical section 10(20) exemption, rather than merely a public-service corporation with a fund.

2(31)(vi) | 10(20), historical | 256(1) | 261

Two-judge bench | B.P. Jeevan Reddy, J. | K.S. Paripoornan, J.

Assessment years: 1962-63

Historical local-authority test and an unargued second question

Public transport service and a fund did not make this corporation a local authority. Article 12 status was not decided, and the employee-fund question was not argued. The later express section 10(20) definition from 2003 requires separate attention. Printed judge/statute-year slips are preserved; current eligibility and comprehensive later treatment remain unverified.

01 FACTS OF THE CASE

The corporation was constituted by notification of 10 June 1960 to provide road transport formerly managed by a State department. It claimed no exemption in its first AY 1961-62 but sought local-authority exemption for AY 1962-63. The ITO, appellate authorities, Tribunal and High Court rejected it (physical pages 3-4).

The High Court also answered a separate question about provident-fund and gratuity-fund contributions against the assessee. Only the local-authority question was argued in the Supreme Court. The report supplies no quantified income, tax or contribution claim (physical page 3).

Source: See the proposition-specific paragraph and PDF-page references below.

02 DISCUSSION BY THE HON'BLE COURT

Because the then Income-tax Act did not define local authority for this purpose, the Court applied the General Clauses Act definition and the features explained in R.C. Jain. Having a separate corporate existence, public functions and a fund was not by itself sufficient. The relevant comparison was with municipal bodies and their governmental character, representative element, statutory functions and powers over local inhabitants (physical pages 4–5).

This corporation was principally a trading/service organisation providing transport. It lacked popular representation and municipal-type compulsory powers. The Court distinguished the DDA's planning, development-control, betterment-charge and enforcement powers from a transport operator's dealings with customers. Its regulation-making power concerned internal administration and service conditions (physical pages 5–6).

The Court found it unnecessary to determine Article 12 authority status: that status alone would not establish the distinct tax exemption. Nor did it treat a point reportedly not pursued in the earlier Andhra Pradesh transport case as a substantive Supreme Court resolution of the present question (physical page 6).

Source: See the proposition-specific paragraph and PDF-page references below.

03 JUDICIAL DECISION

The appeal was dismissed without costs. The corporation was not a local authority and its section 10(20) exemption claim failed. The employee-fund question was not independently argued or decided on its merits, and no fresh tax computation was ordered (physical pages 3 and 6).

Source: See the proposition-specific paragraph and PDF-page references below.

04 OUTCOME / IN WHOSE FAVOUR

In whose favour: Revenue on the local-authority exemption

Appeal dismissed; no costs

Final historical local-authority classification ruling; other reference question unargued

Public-service or Article 12 status alone is insufficient, but this is not a decision on every transport entity, every employee-fund deduction or the later express definition.

Source: See the proposition-specific paragraph and PDF-page references below.

05 AKHB REVIEW POINT

Test the exact statutory category claimed. Government creation, public service and possession of a fund did not turn this corporation into a municipal-type local authority. Its Article 12 status and the narrower tax category were separate inquiries; the former was left undecided.

The historical route through the General Clauses Act must be read alongside later legislation. The checked 2011 compilation contains the express section 10(20) Explanation inserted from 1 April 2003, listing the specified Panchayat, Municipality, Municipal Committee/District Board and Cantonment Board categories. That change prevents using the 1996 description of an undefined term as a complete statement of present tax eligibility. No current classification, other exemption route or 2025 Act mapping is certified.

Preserve the unargued second question: dismissal of this appeal does not supply independent Supreme Court reasons denying every contribution to employee funds.

Source: See the proposition-specific paragraph and PDF-page references below.

PROPOSITION-SPECIFIC SOURCE PARAGRAPHS AND PDF PAGES

1.

Topic: Identity, source slips, year and limited question pursued

Source url: [Open cited source](#)

Pdf pages: 1; 2; 3

Paragraphs: Unnumbered judicial text

Source role: reported metadata and judicial text

2.

Topic: Historical definition and R.C. Jain features

Source url: [Open cited source](#)

Pdf pages: 4; 5

Paragraphs: Unnumbered judicial text

Source role: judicial text

3.

Topic: Corporation's functions, Article 12 limit and final result

Source url: [Open cited source](#)

Pdf pages: 5; 6

Paragraphs: Unnumbered judicial text

Source role: judicial text

4.

Topic: Later express tax definition

Source url: [Open cited source](#)

Pdf pages: 110; 111

Paragraphs: Section 10(20) Explanation(i)–(iv), footnote 98

Source role: bounded historical statutory text

JUDICIAL AUTHORSHIP AND SEPARATE OPINIONS

B.P. Jeevan Reddy, J.

ACT IDENTIFIED IN THE REVIEWED SOURCE

Income-tax Act, 1961

OTHER PROVISIONS AND THEIR DISTINCT SCOPE

General Clauses Act, 1897, section 3(31); Road Transport Corporations Act, 1950, sections 18, 19 and 45; Constitution Article 12, issue not decided

SOURCE & VERIFICATION

[Hon'ble Supreme Court source PDF \(reported judgment\)](#)

Identified source rendition: 6 PDF pages; SHA-256

624297c606af825c6e319373da9fd9aa6aa2f8193ae78953a0921cdf4a075b03. Original bytes preserved.

Complete judicial text physical pages 3–6/SCR 52–55, only question 1 argued; question 2 concerning employee-fund contributions not pursued.

[Open cited source rendition](#)

The cover prints S.P. Jeevan Reddy, while the judicial author line and running heads identify B.P. Jeevan Reddy. The note follows the judicial identification.; The cover identifies the Road Transport Corporations Act, 1950, whereas the judicial opening prints 1959. The original discrepancy is retained; no new 1959 statute is inferred.; AY 1961-62 is background to the corporation's first assessment; the claim discussed here is AY 1962-63.; The Court expressly says only question 1 was argued. The employee-fund contribution question supplies no separate merits holding in this judgment.; Article 12 status was unnecessary to decide; neither confirmation nor rejection of that constitutional status is invented.; The later express section 10(20) definition is a bounded statutory comparison, not a claim that every modern eligibility issue or later decision was verified.

STATUTORY SCOPE

No automatic mapping to the Income-tax Act, 2025 or present-law certification. Apply the statutory text for the relevant year.

LATER TREATMENT

Source checked 2026-10-04. No comprehensive later-treatment search is certified. Any actually checked later judgment or statute is expressly identified in this note.

IDENTIFIED SOURCE LINKS

[reported judgment - PDF pages: 6](#)

SHA-256: 624297c606af825c6e319373da9fd9aa6aa2f8193ae78953a0921cdf4a075b03

[official department hosted historical statutory compilation - PDF pages: 1251](#)

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