

Commissioner of Income Tax, Lucknow v. U.P. Forest Corporation

Civil Appeal No. 180 of 1989 / Civil Appeal No. 181 of 1989 / Civil Appeal No. 182 of 1989

[1998] 2 SCR 22 | 1998-03-02

Whether the Corporation was a local authority exempt under the then section 10(20), and whether the High Court could first decide the alternative charitable-exemption claim without factual examination by the tax authorities.

10(20) (historical) | 11(1)(a) | 12A | 2(15) (contention) | 256

Two-judge bench | B.N. Kirpal, J. | A.P. Misra, J.

Assessment years: 1977-78, 1980-81, 1984-85

Local-authority rejection; charity claim was remitted

The 1998 Court finally rejected section 10(20) local-authority status but left section 11 eligibility to the assessing authority; tax liability depended on that inquiry. It did not grant or finally reject charitable exemption. The six-month deadline is historical. A specific local-authority definition was later inserted, and the checked 2007 sequel preserved underlying merits and conditional revival. Source slips and the complete three-appeal list are retained. Later registration/revival outcomes, comprehensive later treatment and current-law/2025-Act mapping remain unverified.

01 FACTS OF THE CASE

The Corporation was created under the U.P. Forest Corporation Act, 1974 for forest preservation, supervision, development and exploitation of forest produce. Its income came from forest-produce sales. In AYs 1977-78 and 1980-81, the first appellate authority accepted local-authority status but the Tribunal rejected it. For AY 1984-85, the challenged decision was the assessing authority's order. Instead of the statutory routes, the Corporation filed three writ petitions; the High Court accepted local-authority status and also its new section 11 charitable-exemption argument (physical pages 5–6/SCR 26–27).

Revenue appealed. The Corporation relied on its State Act's description of it as a local authority and its fund as a local fund, together with its governmental objectives. The charitable-status claim had not been raised before the income-tax authorities (physical pages 6–7 and 12).

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

02 DISCUSSION BY THE HON'BLE COURT

The then Income-tax Act did not define local authority, so the Court applied section 3(31) of the General Clauses Act and the attributes discussed in R.C. Jain. A State Act's label could not itself control the meaning in the central taxing statute. The Court treated the named municipal bodies as giving context to "other authority" and found the Corporation lacked elected local representation, the usual municipal civic functions and a power of compulsory exaction. Sale proceeds and borrowing were not a municipal or local self-government fund merely because the State Act used that label (physical pages 7–12).

The distinct section 11 claim required investigation of the institution's purposes and registration under section 12A. The High Court should not have determined it for the first time; a remand was required. The Court also said that taxpayers should not normally bypass adequate statutory remedies by writ petition. It nevertheless dealt with these long-running appeals on their peculiar facts, rather than treating that procedural criticism as an absolute Article 226 bar (physical pages 12–13).

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

03 JUDICIAL DECISION

All three Revenue appeals were allowed and the High Court decision was set aside. The Corporation was held not to be a local authority entitled to section 10(20) exemption. The assessing authority was directed to examine the separate section 11(1)(a) claim within six months of 2 March 1998; tax liability was expressly subject to that decision. No costs were ordered (physical page 13).

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

04 OUTCOME / IN WHOSE FAVOUR

In whose favour: Revenue on local-authority status; charitable-exemption merits left open

Three appeals allowed; High Court judgment set aside; separate section 11 claim remitted to assessing authority; no costs

Final section 10(20) rejection under the historical text, with an undecided alternative exemption claim

Neither a Supreme Court grant nor a final merits denial of charitable exemption, and no quantified final tax liability. The six-month direction was tied to the 1998 judgment date.

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

05 AKHB REVIEW POINT

Separate statutory classification from purpose-based exemption. A State enactment's label and public functions did not answer the central-tax definition, while losing that argument did not decide the separately remitted section 11 claim. Preserve the distinct procedural routes for the Tribunal orders and the direct assessment challenge.

Two bounded later checks matter. The 2011 statutory compilation records a specific section 10(20) Explanation effective 1 April 2003 (pages 110–111), so this earlier General Clauses Act analysis cannot alone certify later eligibility. The checked 27 November 2007 same-party judgment, paragraphs 11–17, treated registration as a prerequisite but dismissed both sides' appeals without underlying merits, prioritised the registration appeals, held the main assessment remand in abeyance and preserved conditional revival. It did not establish final charitable eligibility. The later registration, revival and assessment outcomes remain unverified.

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

PROPOSITION-SPECIFIC SOURCE PARAGRAPHS AND PDF PAGES

1.

Topic: Identity, all three appeals and actual assessment years

Source url: [Open cited source](#)

Pdf pages: 1; 4; 5

Paragraphs: Unnumbered judicial text

Source role: reported metadata and judicial text

2.

Topic: Historical definition, State label and precedent analysis

Source url: [Open cited source](#)

Pdf pages: 6; 7; 8; 9; 10

Paragraphs: Unnumbered judicial text

Source role: judicial text

3.

Topic: Corporation lacks essential local-authority attributes

Source url: [Open cited source](#)

Pdf pages: 11; 12

Paragraphs: Unnumbered judicial text

Source role: judicial text

4.

Topic: Separate charitable inquiry, remedy caution and operative remand

Source url: [Open cited source](#)

Pdf pages: 12; 13

Paragraphs: Unnumbered judicial text

Source role: judicial text

5.

Topic: Dated insertion of section 10(20) definition

Source url: [Open cited source](#)

Pdf pages: 110; 111

Paragraphs: Section 10(20) Explanation and page 110 footnote 98

Source role: bounded historical statutory text

6.

Topic: 2007 registration prerequisite, abeyance and conditional revival

Source url: [Open cited source](#)

Pdf pages: 6; 7

Paragraphs: 11–17

Source role: same party later judicial text

JUDICIAL AUTHORSHIP AND SEPARATE OPINIONS

B.N. Kirpal, J.

ACT IDENTIFIED IN THE REVIEWED SOURCE

Income-tax Act, 1961

SOURCE & VERIFICATION

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

Identified source rendition: 13 PDF pages; SHA-256

d3b4f64eb1ea4da81aaed25d326089d074b7dc8c0b0bfeed76ad20cc8ba904c7. Original bytes preserved.

Complete unnumbered judgment on physical pages 5–13/SCR 26–34. Pages 1–4 contain reporter/editorial material and formal appeal list; no adjacent judgment.

[Open cited source rendition](#)

The source's formal list gives Civil Appeal Nos. 180–182 of 1989; ingestion metadata lists only No. 180. All three are retained.; AY 1976-77 appears as earlier High Court litigation history; the three years decided here are 1977-78, 1980-81 and 1984-85.; Physical page 10 prints General Clauses Act, 1857, whereas the surrounding judgment and the statute identification use 1897. Page 5 prints artificial jurisdictional person. These printed slips are not turned into separate legal classifications.; The final direction prints section 11(1)(A), while the context identifies section 11(1)(a); the original source is unchanged.; The 2007 comparison is a later procedural sequel, not proof that the 1998 Court granted charitable exemption. Its reporter appeal-number discrepancy 9433/9333 is not imported into the 1998 case.; The post-2002 section 10(20) definition is checked only in the historical 2011 compilation, not certified as a complete present-law text.

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. Comprehensive subsequent judicial and statutory treatment has not been verified. Only the expressly identified bounded comparisons have been checked. No current-law or Income-tax Act, 2025 mapping is certified.

IDENTIFIED SOURCE LINKS

[reported judgment - PDF pages: 13](#)

SHA-256: d3b4f64eb1ea4da81aaed25d326089d074b7dc8c0b0bfeed76ad20cc8ba904c7

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

SHA-256: 1ec6e4c38dc1d524d1d40b1fd35d13ac1336c8fc549cef2af1bf723a999c822b

[same party later primary judgment - PDF pages: 7](#)

SHA-256: b4ff25f52c3884af0588d119a909fa17845ca3166d4301aae84a953f2907bb62

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