

Adityapur Industrial Area Development Authority v. Union of India and Others

Civil Appeal No. 6382 of 2003

[2006] Supp. 1 SCR 757 | 2006-05-03

Post-Finance Act, 2002 local-authority exemption and Article 289 immunity for a statutory industrial-area development authority

Income-tax Act, 1961: section 10(20), Explanation, and omitted section 10(20A) | Constitution of India: Article 289 | Bihar Industrial Areas Development Authority Act, 1974: sections 7 and 17

Two-judge bench; judgment delivered by B. P. Singh, J. | B. P. Singh, J. | S. H. Kapadia, J.

Post-2002 identity test

Public functions and State control did not by themselves make the Authority a listed local authority or turn its separate income into State income.

01 FACTS OF THE CASE

The Deputy Commissioner of Income Tax notified the Authority's banker that, after the Finance Act, 2002 omitted section 10(20A) and inserted an explanation into section 10(20), the bank had to deduct tax from interest on the Authority's fixed deposits. The Jharkhand High Court upheld the notice. The Authority, constituted under the Bihar Industrial Areas Development Authority Act, 1974, argued that it was a local authority and an agency of the State entitled to Article 289 immunity.

Source: [Primary judgment: facts, statutory framework and submissions](#)

02 DISCUSSION BY THE HON'BLE COURT

The Court treated ownership of the income as the threshold question under Article 289. The Authority maintained its own fund, could hold and dispose of property, contract, sue and be sued, and possessed a legal personality distinct from the State. Section 17 provided that assets, funds, dues and liabilities devolved on the State only upon dissolution, confirming that they remained the Authority's beforehand. The amended section 10(20) exhaustively listed qualifying local authorities and did not include this Authority; Parliament had simultaneously withdrawn the former development-authority exemption in section 10(20A). The absence of a profit-oriented trade did not convert the Authority's income into State income.

Source: [Primary judgment: statutory identity and Article 289 reasoning](#); [Primary judgment: separate legal personality analysis](#)

03 JUDICIAL DECISION

The Authority could not claim the former section 10(20A) benefit after its omission, did not fall within the amended section 10(20) explanation, and could not invoke Article 289(1) because its income was not the State's income. The banker-directed TDS notice was therefore valid.

Source: [Primary judgment: application of the post-2002 exemption text](#); [Primary judgment: final holding](#)

04 OUTCOME / IN WHOSE FAVOUR

The civil appeal was dismissed without costs. The challenged notice requiring the banker to deduct tax at source from fixed-deposit interest was sustained.

Source: [Primary judgment: operative dismissal](#)

05 AKHB REVIEW POINT

AKHB analysis: begin with the entity and the applicable-year exemption text. A statutory development mandate, government appointment power or public purpose does not itself satisfy an exhaustive local-authority definition or Article 289. Examine who owns the funds and liabilities before dissolution, whether the body can sue and hold property in its own name, and whether another specific exemption applies. Do not use the repealed section 10(20A) as a current exemption.

Source: [Primary judgment: ownership and legal-personality test](#)

SOURCE & VERIFICATION

[Supreme Court Reports scan - public eSCR mirror](#)

Complete 15-page Supreme Court Reports rendition, including the statutory scheme, Article 289 analysis and final dismissal.

[Open cited source rendition](#)

The complete 15-page report was read and its SHA-256 matched the reconciliation catalogue.

The Authority's statutory personality, fund and dissolution provisions, amended tax text, Article 289 reasoning and operative dismissal were checked against the judicial text.

No assessment year is supplied because the report frames the dispute through the 2003 notice and statutory amendment without identifying a specific assessment year.

STATUTORY SCOPE

The ruling concerns the Finance Act, 2002 changes effective 1 April 2003: omission of former section 10(20A) and the exhaustive explanation to section 10(20). Verify later legislation and any separate exemption route for the relevant year.

LATER TREATMENT

Source checked 2026-10-12. Later judicial treatment has not been comprehensively checked. The related 2018 New Okhla and later local-authority notes in the AKHB corpus discuss Adityapur in applying the exhaustive post-2002 section 10(20) definition. No comprehensive citator clearance is represented.

[Related note: New Okhla Industrial Development Authority v. Chief Commissioner of Income Tax and Ors.](#)

[Related note: Gujarat Industrial Development Corporation v. The Commissioner of Income Tax](#)

[Related note: Andhra Pradesh State Road Transport Corporation v. Income Tax Officer and Another](#)

AI DISCLOSURE

This AKHB research note was prepared with AI assistance from the identified primary report and has not been represented as independently human-reviewed.

PROFESSIONAL DISCLAIMER

General legal and tax research only; not legal or tax advice. Verify the complete judgment, governing statutory version and subsequent judicial treatment before reliance. The AKHB REVIEW POINT is editorial analysis, not the Court's holding, and no current-law clearance is claimed.