

Agricultural Produce Market Committee, Narela, Delhi v. Commissioner of Income Tax & Anr.

Civil Appeal No. 5180 of 2008 / Civil Appeal No. 5181 of 2008 / Civil Appeal No. 5182 of 2008
[2008] 12 SCR 387 | 2008-08-21

Whether an Agricultural Market Committee qualified as a local authority under the Explanation inserted in section 10(20) by Finance Act, 2002 with effect from 1 April 2003.

10(20) | 10(20), Explanation

Two judges | S.H. Kapadia, J. | B. Sudershan Reddy, J.

Assessment years: 2003-04

Historical local-authority ruling: separate exemption and year limits

This decision denies section 10(20) exemption under the definition effective 1 April 2003; the narrated lead year is AY 2003-04. It leaves Market Fund control undecided and itself notes the separate section 10(26AAB) exemption effective 1 April 2009. Neither an automatic present exemption nor a universal denial of all other exemptions follows. Comprehensive later treatment, current law and Income-tax Act, 2025 mapping remain not_verified.

01 FACTS OF THE CASE

The lead Committee was established under the Delhi Agricultural Produce Marketing (Regulation) Act, 1998 to provide marketing facilities for agricultural produce in Narela and to supervise, direct and regulate the markets. For AY 2003-04 it claimed section 10(20) exemption as a local authority, relying on its status under the Delhi enactment. The Assessing Officer rejected the claim by reference to CBDT Circular No. 8/2002 dated 27 August 2002 and the Finance Act, 2002 amendment. The Commissioner (Appeals) and Tribunal agreed. The Delhi High Court dismissed ITA 819/2006 on 2 June 2006, following its earlier Azadpur decision; the lead Supreme Court appeal arose from SLP(C) 6757/2007 (physical 5-6/SCR 391-392, paragraphs 3-8).

Before 1 April 2003, the Court recorded, agricultural market committees had enjoyed the exemption. The amendment introduced a definition of local authority within section 10(20) itself. It listed constitutionally defined Panchayats and Municipalities, Municipal Committees and District Boards legally entitled to or entrusted with control or management of a municipal or local fund, and Cantonment Boards (physical 6-7/SCR 392-393, paragraphs 9-11).

The appellants relied on R. C. Jain and earlier High Court decisions, contending that the General Clauses Act definition had effectively been incorporated and that their municipal-type functions, statutory market fees and Market Fund brought them within the provision. They also distinguished committees from the marketing boards and societies mentioned in the explanatory material. Revenue emphasized the omission of the broader category of other authorities, the exhaustive wording of the new definition, and the Board's control over Committee finances. These competing fund-control assertions are submissions, not a factual issue finally determined by this judgment (physical 7-12/SCR 393-398, paragraphs 12-21).

Source: [reported judgment / paragraphs Paragraphs 3-21; printed physical 12 paragraph 21 / PDF pages 5, 6, 7, 8, 9, 10, 11, 12 / judicial text](#)

02 DISCUSSION BY THE HON'BLE COURT

The Court reproduced the Delhi statute's local-authority deeming clause, the Board's powers, the Committee's functions, fee powers and fund/budget/account provisions. That statutory setting showed why the appellants invoked local-authority characteristics, but it did not answer the separate definition Parliament had enacted for section 10(20). The Delhi provision's deeming language was expressly for that Act (physical 12-25/SCR 398-411, paragraph 22).

Comparing the two definitions, the Court rejected the claim that section 3(31) of the General Clauses Act had been bodily imported into the Income-tax Act. The former included other authorities; the new Explanation deliberately omitted that category. Before the amendment, courts had resorted to the general definition because the Income-tax Act lacked its own definition. That reason no longer held after Parliament supplied an exhaustive one (physical 26-28/SCR 412-414, paragraphs 23-27).

R. C. Jain had concerned the Delhi Development Authority and the Payment of Bonus Act, which did not define local authority. Its functional and incorporation tests addressed the residual other-authority category in the General Clauses Act. Narela therefore treated those tests and the earlier agricultural-committee cases as inapplicable to the new section 10(20) Explanation. An institution's resemblance to a municipal body could not replace membership of a listed category. The Court proceeded on the appellants' acceptance that the agricultural market committees were not Municipal Committees or District Boards; the printed category list in paragraph 29 repeats Municipal Committee, a source irregularity disclosed below (physical 28-30/SCR 414-416, paragraphs 27-29).

The Court explained retention of Municipal Committees and District Boards alongside Panchayats and Municipalities as a precaution for surviving statutory bodies of those kinds. It referred to the constitutional continuance provisions in Articles 243N and 243ZF to support that explanation. This is the Court's interpretive reasoning, not a complete reproduction of those constitutional provisions or a free-standing extension of their transitional periods (physical 31-32/SCR 417-418, paragraph 30). It also reiterated the caution against importing another statute's definition without regard to context (physical 32, paragraph 31).

Because the committees failed the listed-body requirement, the Court expressly declined to decide whether they were legally entitled to control the Market Fund. It additionally noted that Finance Act, 2008 had enacted a separate agricultural-market exemption in section 10(26AAB), effective 1 April 2009. The future commencement was not applied to grant the AY 2003-04 claim. The actual holding remained denial of section 10(20) exemption after the Explanation took effect on 1 April 2003 (physical 32/SCR 418 D-G, paragraphs 32-33).

Source: [reported judgment / paragraphs Paragraph 22, Delhi Act extracts / PDF pages 12, 13, 14, 15, 16, 17, 18, 19, 20, 21, 22, 23, 24, 25 / judicial text; reported judgment / paragraphs Paragraphs 23-29, definitions and R. C. Jain distinction / PDF pages 26, 27, 28, 29, 30 / judicial text; reported judgment / paragraphs Paragraphs 30-33, constitutional comparison and express reservation / PDF pages 31, 32 / judicial text](#)

03 JUDICIAL DECISION

The Court held that agricultural market committees were not entitled to section 10(20) exemption after insertion of the Explanation with effect from 1 April 2003. All three civil appeals were dismissed with no order as to costs. There was no remand and no determination of entitlement to control the Market Fund (physical 32/SCR 418 D-G, paragraphs 32-34).

Source: [reported judgment / paragraphs Paragraphs 32-34; SCR 418 D-G / PDF pages 32 / judicial text](#)

04 OUTCOME / IN WHOSE FAVOUR

In whose favour: Revenue on the post-2002 section 10(20) exemption claim

Civil Appeals 5180, 5181 and 5182 of 2008 dismissed; no order as to costs

Final substantive construction of the section 10(20) Explanation; historical lead AY 2003-04 exemption denied

Companion facts and years are not separately mapped. Market Fund control is expressly left undecided. No decision granting or refusing a later-year section 10(26AAB) claim, no universal bar to other exemptions, and no current-law certification.

Source: [reported judgment / paragraphs All three appeal numbers and paragraph 34 / PDF pages 4, 32 / judicial text](#)

05 AKHB REVIEW POINT

Keep statutory identity, statutory functions and the applicable exemption provision separate. A body's local-authority status under its constituting statute, its public functions or its control of a fund does not by itself satisfy the exhaustive definition inserted into section 10(20). Conversely, this decision did not adjudicate the Committee's actual entitlement to control its Market Fund, and that reservation must not become an adverse finding.

The statutory timing is essential. The Court itself noticed the already-enacted section 10(26AAB), whose commencement was 1 April 2009. That is a separate route with its own statutory description of agricultural produce market committees or boards constituted under law for regulating agricultural-produce marketing; it is not a retrospective restoration of the section 10(20) claim or an automatic exemption for every statutory body. The enacted Finance Act, 2008 Gazette independently confirms that wording and date (section 4(b), physical/printed page 7).

Two bounded later Supreme Court checks apply this reasoning rather than overturn it. New Okhla Industrial Development Authority (2 July 2018), paragraphs 35-38 and 43, rejects enlargement of section 10(20) through section 3(31) of the General Clauses Act. Income Tax Officer v. Urban Improvement Trust (12 October 2018), paragraphs 29-33 and 37, likewise holds that municipal functions and local funds do not by themselves make the Kota Trust a Municipal Committee. The later sources quote Narela with different paragraph numbering; the pins here retain the numbering of each actual rendition.

Comprehensive subsequent treatment, current-law applicability and Income-tax Act, 2025 mapping remain not_verified. Identify the claimant, assessment year, operative enactment and claimed exemption before applying the historical result.

Source: [reported judgment / paragraphs Paragraphs 27, 29-34 / PDF pages 27, 30, 31, 32 / judicial text](#); [later reported judgment direct application bounded / paragraphs Paragraphs 29-33 and 37 / PDF pages 15, 16, 17, 18, 19, 20 / judicial text](#); [later reported judgment direct application bounded / paragraphs Paragraphs 35-38 and 43 / PDF pages 23, 24, 25, 26, 27 / judicial text](#); [official court hosted enacted statute gazette scan bounded / paragraphs Gazette identity and enacted Finance Act 2008 section 4\(b\) / PDF pages 1, 7 / enacted statutory text](#)

DETAILED DISPOSITION AND CONNECTED GROUPS

Proceeding outcomes

1.

Case number: Civil Appeal No. 5180 of 2008

Outcome: Dismissed under the common judgment; no order as to costs

2.

Case number: Civil Appeal No. 5181 of 2008

Outcome: Dismissed under the common judgment; no order as to costs

3.

Case number: Civil Appeal No. 5182 of 2008

Outcome: Dismissed under the common judgment; no order as to costs

Costs: No order as to costs

ADDITIONAL STATUTORY CONTEXT, NOT SEPARATE HOLDINGS

Actual income-tax exemption construction. The Delhi marketing statute establishes functions and funds but does not control the self-contained section 10(20) definition. Fund-control entitlement is expressly undecided; no constitutional provision is invalidated and no separate section 10(26AAB) eligibility determination is made.

JUDICIAL AUTHORSHIP AND SEPARATE OPINIONS

S.H. Kapadia, J.

ACT IDENTIFIED IN THE REVIEWED SOURCE

Income-tax Act, 1961, section 10(20) and its Finance Act, 2002 Explanation

SPECIFIED STATUTORY CHECKS AND THEIR LIMITS

Status: bounded enacted text verified

Source url: [Open cited source](#)

Provision: Finance Act, 2008 (No. 18 of 2008), section 4(b)

Pdf pages: 1; 7; 8

Relied on pages: 1; 7

Finding: Gazette scan independently verifies insertion of section 10(26AAB), effective 1 April 2009, for income of an agricultural produce market committee or board constituted under law for regulating the marketing of agricultural produce. This enactment predates Narela and is the separate exemption already noticed in paragraph 32.

Limit: No full Finance Act read, later amendments, present eligibility determination or 2025 mapping. Finance Act 2002 amendment is grounded in the judicial text, not an independently acquired 2002 Gazette.

SPECIFIED LATER TREATMENT CHECKS AND THEIR LIMITS

1.

Case: The Income Tax Officer v. Urban Improvement Trust

Decision date: 2018-10-12

Relationship: express application of post 2002 exhaustive definition

Result: Kota holds that limited municipal functions and local funds do not make the Urban Improvement Trust a Municipal Committee. It expressly applies Narela; Revenue appeals allowed and Tribunal orders revived. No overruling of Narela.

Source pinpoints

1.

Source url: [Open cited source](#)

Pdf pages: 15; 16; 17; 18; 19

Paragraphs: Paragraphs 29-33; SCR 861-865

Source role: judicial text

2.

Source url: [Open cited source](#)

Pdf pages: 19; 20; 21

Paragraphs: Paragraphs 35-40; SCR 865-867

Source role: judicial text

Limit: Direct treatment and scope comparison only; not a separate full case review.

2.

Case: New Okhla Industrial Development Authority v. Chief Commissioner of Income Tax and Ors.

Decision date: 2018-07-02

Relationship: express application of section 10(20) definition

Result: NOIDA discusses and applies Narela's exhaustive-definition reasoning; General Clauses Act section 3(31) cannot enlarge the amended section 10(20) definition. NOIDA's appeals dismissed.

Source pinpoints

1.

Source url: [Open cited source](#)

Pdf pages: 23; 24; 25; 26

Paragraphs: Paragraphs 35-38; SCR 803-806

Source role: judicial text

2.

Source url: [Open cited source](#)

Pdf pages: 27; 35

Paragraphs: Paragraph 43 and 56-57; SCR 807, 815

Source role: judicial text

Limit: Direct treatment only; no full review of all NOIDA issues.

OTHER STATUTORY PROVISIONS AND THEIR SEPARATE SCOPE

Section 10(26AAB), inserted by Finance Act, 2008 effective 1 April 2009, noted but not applied to the lead assessment; Section 260A (appellate route); General Clauses Act, 1897, section 3(31); Delhi Agricultural Produce Marketing (Regulation) Act, 1998, section 2(1)(l) and Explanation; sections 5, 17, 26, 55, 62, 66, 84, 89, 91 and 95 as referred to or reproduced; Constitution of India, Articles 243(d), 243P(e), 243N and 243ZF; Payment of Bonus Act, 1965, section 32(iv), only in the R. C. Jain comparison

SOURCE & VERIFICATION

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

Identified source rendition: 32 PDF pages; SHA-256

438a4c1a85d30ee17b69a840bad9c92e26fc65847d9c474211d9d631e7766c8b. Original bytes preserved.

[Open cited source rendition](#)

full primary text read: True; all primary page images reviewed: False; source integrity verified: True; actual statutory scope verified: True; later treatment comprehensive: not_verified; current law status: not_verified; statutory mapping 2025: not_verified

Printed SCR identity, date and bench verified against the first-page image. Frozen catalogue INSC identifier is not separately authenticated in this rendition.

The frozen catalogue names only Civil Appeal 5180/2008. Physical 4 also lists 5181 and 5182/2008. The lead AY 2003-04 and Delhi proceedings are not assigned to each companion without evidence.; The extraction of physical 26 omits the start of comparative-chart clause(ii), Municipality; the full clause was checked in the page image and in paragraph 11. Physical 12 prints paragraph 21, despite extraction reading 11.; Physical 30 paragraph 29 visibly repeats Municipal Committee in its category list, while the headnote uses Municipality. This is not silently corrected into a verbatim quotation.; The Delhi definition reproduced on physical 12 is section 2(1)(l), with a lower-case letter l; paragraph 5 and the headnote refer more generally to section 2(1). The deeming Explanation operates for the Delhi Act.; The constitutional continuance discussion in paragraph 30 is abbreviated and does not reproduce all qualifications or time limits of Articles 243N/243ZF. This note reports the Court's reasoning without certifying their full operative text.; The Court expressly declines the Market Fund-control question in paragraph 32. Government/Board control contentions must not be converted into a decided ground. Section 10(26AAB) commencement is 1 April 2009; no later-year exemption is adjudicated.; R. C. Jain, the earlier High Court decisions and Circular 8/2002 are reviewed as discussed in this judgment, not independently as complete sources. Original PDFs remain unchanged.; The later 2018 judgments quote Narela using SCC paragraph numbering, including 35 for the exhaustive-definition passage. The frozen Narela SCR has that passage at paragraph 29, physical 30; its section 10(26AAB) reservation is paragraph 32, physical 32. Pins follow each linked rendition.; Finance Act 2008 predates this judgment. Its 1 April 2009 commencement is an enactment-based scope qualification, not a later reversal of Narela. No universal section 10(26AAB) entitlement or present-law conclusion is certified.

AY 2003-04 is expressly stated for the narrated Narela lead appeal in paragraph 5. Companion appeal years are not separately supplied and are not inferred.

Lead Civil Appeal 5180/2008 arises from SLP(C) 6757/2007 and Delhi High Court ITA 819/2006, decided 2 June 2006. The report also lists Civil Appeals 5181 and 5182/2008 without individual party, High Court or assessment-year mapping. All three are disposed of by the common opinion.

STATUTORY SCOPE

No Income-tax Act, 2025 crosswalk or automatic carryover. Full amendment history, commencement, savings and case-specific present applicability have not been verified.

LATER TREATMENT

Source checked 2026-10-05. Bounded direct later primary checks are separately recorded; no comprehensive citator or current-law audit.

IDENTIFIED SOURCE LINKS

[reported judgment - PDF pages: 32](#)

SHA-256: 438a4c1a85d30ee17b69a840bad9c92e26fc65847d9c474211d9d631e7766c8b

[later reported judgment direct application bounded - PDF pages: 21](#)

SHA-256: eb97406ff4e83e6b00ced3823155e4da4c13c8537eee806b9d465470ec948b9e

[later reported judgment direct application bounded - PDF pages: 35](#)

SHA-256: c03233b22693251b65700a8b870b30cfe273289d614697de52304670a877748d

[official court hosted enacted statute gazette scan bounded - PDF pages: 68](#)

SHA-256: 09a11c3646c7cdb49240c767a45eb7eb02eb64f8938576cd209cbebb362deabc

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