

[2022 LiveLaw \(SC\) 278](#)

**IN THE SUPREME COURT OF INDIA**  
**CIVIL APPELLATE JURISDICTION**  
**DR. DHANANJAYA Y. CHANDRACHUD; SURYA KANT, JJ.**

March 7, 2022

Civil Appeal Nos 1861-1862 of 2022 (Arising out of SLP (C) Nos 9693-9694 of 2019)

**Union Bank of India Versus Additional Commissioner of Income Respondent Tax (TDS) Kanpur**

**Summary: Whether the appellant Union Bank of India was required by the provisions of Section 194A of the Income Tax Act 1961 to deduct tax at source on payments of interest made to the Agra Development Authority - Judgment in Commissioner of Income Tax (TDS) Kanpur and Another vs Canara Bank (2018) 9 SCC 322 relied on - The orders imposing penalty under Section 271C of the Income Tax Act set aside.**

*For Appellant(s) Mr. O.P. Gaggar, AOR For Respondent(s) Mr. Balbir Singh, ASG Ms. Alka Agrawal, Adv. Ms. Rashmi Malhotra, Adv. Ms. Suhasini Sen, Adv. Ms. Chinmaee Chandra, Adv. Mr. Raj Bahadur Yadav, AOR*

**ORDER**

1. Leave granted.

2. These appeals arise from a judgment of a Division Bench of the High Court of Judicature at Allahabad dated 20 November 2018.

3. The appeals pertain to assessment years 2012-2013 and 2013-2014. The issue which was raised in the appeals before the High Court is whether the appellant was required by the provisions of Section 194A of the Income Tax Act 1961 to deduct tax at source on payments of interest made to the Agra Development Authority. Agra Development Authority is a statutory body constituted under the provisions of the UP Urban Planning and Development Act 1973. The appellant placed reliance on the provisions of a notification dated 22 October 1970 issued by the Central government in the following terms:

“In pursuance of sub-clause (f) of clause (iii) of sub-section (3) of section 194A of the Income-tax Act, 1961 (43 of 1961), the Central Government hereby notify the following for the purposes of the said sub-clause:-

(i) any corporation established by a Central, State or Provincial Act;

(ii) any company in which all the shares are held (whether singly or taken together) by the Government or the Reserve Bank of India or a Corporation owned by that Bank; and

(iii) any undertaking or body, including a society registered under the Societies Registration Act, 1860 (21 of 1860), financed wholly by the Government.”

4. The Division Bench of the High Court by its impugned judgment, dismissed the appeals.
5. We have heard Mr O P Gaggar, counsel for the appellants and Mr Balbir Singh, learned Additional Solicitor General for the respondents.
6. The issue which is raised in the present appeals is covered by the judgment of a two-Judge Bench of this Court in ***Commissioner of Income Tax (TDS) Kanpur and Another vs Canara Bank, (2018) 9 SCC 322***. In that case, the issue pertained to the applicability of the notification dated 22 October 1970 in relation to payments made by Canara Bank to the New Okhla Industrial Development Authority (“NOIDA”) an authority constituted under Section 3 of the Uttar Pradesh Industrial Area Development Act 1976. The Bank had not deducted tax at source under Section 194-A which led to notices being issued, resulting in consequential action. This Court, after considering the terms of the notification held that NOIDA which has been established under the Act of 1976 is covered by the notification dated 22 October 1970. Though the statute under which the Agra Development Authority has been constituted is the UP Urban Planning and Development Act 1973, the same principle which has been laid down in the judgment of this Court in ***Canara Bank*** (supra), would govern the present case.
7. We accordingly allow the appeals and set aside the impugned judgment and order of the Division Bench of the High Court of Judicature at Allahabad in Income Tax Appeal Nos 225 of 2017 and 230 of 2017. The orders imposing penalty under Section 271C of the Income Tax Act 1961, shall in the circumstances be set aside.
8. Pending applications, if any, stand disposed of.

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