
(2007) 10 KAR CK 0035
In the Karnataka High Court
Case No : Writ Appeal No. 5830/99

Manipal Academy of Higher Education	APPELLANT
Vs	
The State of Karnataka	RESPONDENT

Date of Decision : 09-10-2007

Acts Referred:

Constitution of India, 1950 — Article 301 (a), 304 (b)
Karnataka Tax on Entry of Goods Act, 1979 — Section 3, 3 (1)

Citation : (2008) ILR (Kar) 257 : (2008) 1 KCCR 451 : (2008) 13 VST 377

Hon'ble Judges : V. Gopala Gowda, J;Arali Nagaraj, J

Bench : Division Bench

Advocate : G. Sarangan, for H. Vani, for the Appellant; Udaya Holla, General and S. Sujatha, AGA, for the Respondent

Final Decision : Dismissed

Judgement

V. Gopala Gowda, J.—These matters are listed before this Court pursuant to the order passed by the Supreme Court on 14.7,2006 in Civil Appeal No. 4476/00 and connected matters. The operative portion of the said order reads as under;-

Since relevant data do not appear to have been placed before the High Courts, we permit the parties to place them in the concerned writ petitions within two months, The concerned High Courts shall deal with the basic issue as to whether the impugned levy was compensatory in nature. The High Courts are requested to decide the aforesaid issue within five months from the date of receipt of our order. The Judgment in the respective cases shall be placed on record by the concerned parties within a months from the date of the decision in each case pursuant to our direction.

2. Ms. Vani, learned Counsel for the appellant filed a memo requesting this Court to treat the applications I.A.II/06, for production of additional documents, as having been filed in this appeal. The said application is opposed by the State Government by filing objections placing strong reliance upon the objects and reasons of the amended Ad introduced by Act No. 27 of 1979 which has obtained

the Presidential assent as required and is not hit by Article 304(b) of the Constitution.

3. On behalf of the appellant Sri Sarangan, learned Sr. Counsel, invited our attention to various decisions including the constitution Bench decision reported in *Jindal Stainless Ltd. and Anr. v. State of Haryana and Ors.* (2006) 145 STC 544 P&H in support of his contention that the concept of "compensatory tax" is not there in the Constitution but is judicially evolved by the decision of the Supreme Court in the case of *The Automobile Transport (Rajasthan) Ltd. Vs. The State of Rajasthan and Others*, as part of regulatory charge and further tax is levied as a part of common burden, The basis for imposing a tax is the ability or capacity of tax payer to pay and further the principle laid down in the said case to the effect that principle of equivalence which is the foundation of compensatory tax as well as fee, the value of the quantifiable benefit is represented by the costs incurred in procuring the facility/service which costs in turn become the basis of reimbursement/recompense for the provider of services/facility. Further it is held that compensatory tax is based on the principle of pay for the value and the same is always proportionate to the benefits. The aforesaid test must be passed with passed to the compensatory tax u/s 3(1) of the Karnataka Tax on Entry of Goods Act, 1978 (hereinafter referred to as the KTEG Act).

4. The learned senior counsel placing strong reliance upon the particulars furnished in I.A.II stated certain additional facts to contend that the impugned aforesaid provision is unconstitutional as the game is being violative of Article 301 of the Constitution of India, In support of his prayer he placed strong reliance upon the aforesaid judgment of the Supreme Court and also another division Bench decision of this Court in the case of *Aviny Polymer Pvt. Ltd. v. State of Karnataka and Ors.* 109 STC 32 kar which decision has been affirmed by the Supreme Court in the case of *Widia (India) Ltd. v. State of Karnatka and Ors.* 132 STC 360 kar). Strong reliance has been placed by learned senior counsel upon the *Aviny Polymers Pvt. Ltd.* case. He submitted that the entire entry tax collected in made over to the local authorities for providing municipal and civic amenities, now it has to be held that the tax in question is to be held at compensatory in nature requiring previous sanction or assent of the President of India to the Act and also placed strong reliance upon the observation made by the Supreme court at paragraphs 27 and 28 is the case of *Widis (India) Ltd.*"s case referred to supra.

5. Further it is contended by Dm learned senior counsel placing strong reliance upon Article 301 of the Constitution and submitted that it would be a barricade on free flow of trade and the aforesaid provisions of the Act to restrict the imports from outside the State and neutrals the advantage of lower tax in the other states and farther placing strong reliance upon the decision of the Supreme Court in the case of *Atiabari Tea Co., Ltd. Vs. The State of Assam and Others*, whereunder the Apex court held that when a law is made solely intended to protect Dm local or regional interest Dm same would jeopardize the free

movement and exchange of goods throughout the territory of India and therefore the same is hit by Article 301 of Constitution of India. He, further contended that there is nothing either in the provision of the Act or in the notification the impugned levy either viciously or patently indicate the benefits to Dm tax payers which are measurable or quantifiable. Therefore the impugned levy is not compensatory levy or of compensatory tax". He has elaborated his submission contending being provided, in any even it does not commensurate with the tax levied and further submitted that criteria for levy of entry tax being on the value of the goods imported into the State is per se contrary to the concept of "compensatory levy". Such a levy ex facie impeded the interest of trade and commerce including the goods imported for use within the State and for the benefit of the residents of the State and therefore the impugned provision of the Act to levy tax is patently violative of Article 301 of the Constitution of India.

6. With reference to the said legal principles laid down by the Supreme Court and the constitutional provision referred to supra the learned senior counsel contended that the appellant herein is a deemed University duly recognised by the Central Government and the University Grants Commission. It has been running several Medical, Engineering, Pharmacy, Dental, nursing colleges and other modern hospitals with research and diagnostic facilities to render medical services to the people. For running the aforesaid hospital and colleges it requires latest and ultra modern equipments which are to be Imported from other countries Therefore, the constitutional validity of charging Section 3 of the Act is challenged. Further it is contended that it has invested huge sums of money running into crores of rupees for development of the entire wee of Municipal and Udupi District In other words it stated that the contribution made by the State and local bodies for the development of these areas is very meagre. Therefore, it is contended that the impugned levy is grossly disproportionate to the benefits extended by the State and the local bodies. Hence it is prayed to declare the aforesaid statutory provision as violative of Article 301 of

7. The learned senior counsel Mr. Sarangan appearing for the appellant submits that Section 103(b) of the Act, by way of Amendment Act No. 31/2001 with effect from 19.11.2001 to the Karnataka Municipal Corporation Act, 1976, provides for levy of infrastructure and solid waste management, notwithstanding anything contained in Section 19 of the Karnataka Motor Vehicles Taxation Act, 1957. Similar provision has been incorporated under the Municipalities Act, 1964. He further submits that Section 3(b) by way of amendment to Karnataka Stamp Act, 1957, by Act No. 6/2001 dated 1.4.2001 w.e.f. 1.4.1988, provides for levy of additional duty on instrument of conveyance, gift or lease on immovable properties chargeable with duty u/s 3 read with articles of the schedule shall be chargeable with additional duty at the rate of 10% on such duty. Section 19 of the Karnataka Motor Vehicles Taxation Act, 1937 which is similar provision is also incorporated The State Government collects the compensatory tax for the developmental purposes under the impugned provision of the KTEG Act which is not only arbitrary but also unreasonable. He has further submitted that under the

statutes referred to supra the levy of same tax is unreasonable and unjustifiable. There fore it is contended that the materials produced by the appellant would establish that the compensatory tax is not utilised for the purpose for which it is collected on the basis of quid pro quo. Further the amount collected by the State Government under the provisions of Section 3 of the Act and allocation of the same to various local bodies certainly is not in the ratio of the developmental works carried on for the betterment of neither the appellant nor the traders community there fore the levy of compensatory tax u/s 3 upon the goods entered into Karnataka State is arbitrary and unreasonable.

8. In support of his contention additional documents are produced along with I.A. 11/2006. Annexures-A2 is the statement of expenditure incurred on public utilities in Manipal town giving particulars of area of work, name of the work, etc., the same is extracted hereunto to appreciate the factual and legal contention urged on behalf of the appellant:

Year	of	Name	of	the	work	Amount	Work	(Rs. in lakhs)	Sl.No.
-----	-----	-----	-----	-----	-----	-----	-----	-----	-----
-----	-----	-----	-----	-----	-----	-----	-----	-----	1. 1996
Making	widening	strengthening	1.2	Km	of	double	road, at	Manipal (photo II	
enclosed)	92.43	2. 1996	Providing	Tube	light	and	L/T	over	head line (0.5 km)
(photo II	enclosed)	20.97	3. 2003	Providing	&	Developing	of	Road	at
Nagar,	Manipal	(0.5	km)	(Photo	III	enclosed	9.24	5. 1988	Development
of	Ambegilu-Manipal	Road	of	1.227	km	1.26	6. 2003	Providing	&
Developing	of	Road	at	Thrishanku	Nagar	Manipal	(survey	No.	30812)
8.37	7. 1996	Providing	bus	sheltie	3.50	8. 1996	Public	toilet	vim
modern	facility	1.50	9. 1997	Traffic	island	at	tiger	circle	(photo
enclosed)	1.00	10. 2003	Providing	&	Developing	of	road	at	Adarshnagar,
Manipal	1.16	11. 2003	Providing	High	Mask	light	near	tiger	circle
2.25									
-----	-----	-----	-----	-----	-----	-----	-----	-----	TOTAL
141.68	-----	-----	-----	-----	-----	-----	-----	-----	-----

The learned Senior Counsel invited our attention to the Mowing decision of various High Court in support of his legal submissions:

- 1) ITC Limited v. State of Assam and Ors. (2007) 9 VST 250
- 2) Eagle Corporation Pvt. Ltd. v. State of Gujarat 6 VST 560 (Guj),
- 3) TATA Iron & Steel Co. Ltd. v. State of Jharkhand - 6 VST 587
- 4) Central Coalfields Ltd. v. State of Jharkhand 7 VST 614 (Jha)
- 5) Thressiamma L. Chirayil v. State of Kerala 7 VST 293(Ker),
- 6) ITC Ltd. v. State Tamil Nadu 7 VST 367 (Mad.)
- 7) Bharat Earth Movers Ltd. v. State of Karnataka 3 VST 69 (kar).

9. On the other hand Sri Udaya Holla the learned Advocate General, appearing

on behalf of the respondents State conceded contended that the levy was made to compensate the loss suffered by the local bodies by Abolition of octroi in public interest It is submitted that the details of total collection of entry tax from 1979-80 to 2004-03 are furnished by the State, which are found at Annexure-R 1 to R3. Further it is stated that the State Government has disbursed funds to the local bodies for the year 1993-94 to 2006⁴)⁷ from the octroi development grants, development ground and other grants. Particulars of the amounts regarding total devolution of funds from the State Government to the local bodies in the State for the year 1992-93 to 1998-99 is found at Annexure-R4. It is further stated that the entry tax collected under the impugned provision of the Act is made part of the State Finance Commission grant allocated as a part of the object exercised by the Finance Department and grants were devolved to urban local body and panchayath institution Finance Commission. To substantiate the same, the State has produced Annexure-R5. The Scheme formulated and proceedings of the Government and its order dated 12.4.2006. The finance department gets monthly inputs from the Director of Municipal Taxation/Urban Development Department on salary requirements, water board dues, interest on loan, electricity dues payable to KPTCL securitisation dues and the finance department realises the payment for one quarter at a time for Urban Development Department, Karnataka Rural Energy Development Department towards securitisation, in turn the Urban Development Department releases funds to water board dues and loans, urban local bodies salary payments and for other developmental charges. After receipt of the funds from the State Finance Commission the respective local bodies spend that amount for providing services/facilities to the public. The statement showing octroi and State Finance Commission grant received from the State Government by each of the local body, namely, Mangalore Mahanagara Palike, the expenditure incurred therein on the development of water supply is at Annexure-R7 The statement of object and reasons of the KTEG Act for inserting charging Section 3 in compensatory tax is stated at para 9 of the statement filed by the State, which will be extracted in the reasoning portion at this judgment It is submitted that the impugned levy was made to compensate the loss suffered by the local bodies by abolition of octroi, This modest impost is levied on entry of goods into local area for augmenting further finances to the municipalities to compensate the loss suffered by abolition of octroi in public interest

10. Further the learned Advocate General placed strong reliance upon the memo filed by the State Government producing documents Annexure -R8 statement of entry tax collection for the year 2005-06, Annexure-R9 basic data on amount spent by the urban local bodies excluding Bangalore Mahanagar Palike for the year 2005-06 (at per the statement of Director of Municipal Administration) and Annexure-R10 the amount spent by the Bangalore City Corporation for infrastructure, trade and commerce for the year 2003-06, Annexure-R11, particulars of receipts and payments and Annexure-R12 basis for estimation of 30% of total expenditure relating to commercial establishments

11. The learned Advocate General placing strong reliance upon the documents produced and the memo dated 14.12.3006 contended that the impugned provision cannot be struck down on the ground that the same is violative of Article 301(a) of the Constitution in view of the decision of the Supreme Court in the case of State of Karnataka and Another Vs. Hansa Corporation, wherein the Apex Court upheld the constitutional validity of the said Act at the requirement of the provision of Article 304(b) is satisfied, Further, it is held that the said Act is not (discriminatory in nature and is saved by Article 301(a). It is further held that imposition of restrictions are reasonable and in the public interest Subsequently, the said Act received me assent of the President thereby the proviso to Article 304(b) is complied with.

12. The learned Advocate General also placed strong reliance upon the Constitution Bench decision in Automobile Transport (Rajasthan) Ltd. referred to supra. In that case at paras 17 and 19 wherein it has referred another Constitutional Bench decision i.e., Atabari Tes Co. cast, referred to supra and came to the conclusion that neither the widest interpretation nor the narrow interpretations canvassed before us are acceptable, The majority view in the Atabari Tea Co case referred to supra, is accepted as correct, and the same it subject to the clarification made in the said case stating that the regulatory measures imposing compensatory taxes for the use of trading facility do not come within the purview of the restrictions contemplated by Article 301 and such measures need not comply with the requirements of the proviso to Article 304(b) of the Constitution, The relevant portion of Paras 17 and 19 reads in:

The interpretation which was accepted by the majority in the Atiabari Tea Co., Ltd. Vs. The State of Assam and Others, is correct, hut subject to this clarification Regulatory measures or measures imposing compensatory taxes far the use of trading facilities do not come within the purview of the restrictions contemplated by Article 301 and such measures need not comply with the requirements of the proviso to Article 304(h) of the Constitution,

...It seems to us that a working lest for deciding whether s tax is compensatory or not is to enquire whether the trades people are having the use of certain facilities for the hotter conduct of their business and paying not patently much more than what is required for providing the facilities. It would he impossible to judge the compensatory nature of a tax by a meticulous test and in the nature of things that cannot he done.

13. On the basis of the statistics in Annexures R1 to R14 and also the decision of the Supreme Court in Atabari Tex Co. referred to supra and also Automobile Transport (Rajastha) Ltd."s case, which decisions are referred to in the Constitution Bench decision in Jindal Stainless Ltd. case 145 STC 544 the learned Advocate General requested this Court to answer the question which has been referred to us by the Supreme Court in the Civil Appeal pending before it, in favour of the respondent State.

With reference to the above said rival legal contentions, we are required to answer the same against the appellant for the following reasons.

14. We have carefully considered rival legal submission made by Sri Sarangan, learned senior counsel for the appellant and Sri Udaya Holla, learned Advocate General, appearing on behalf of the respondents-State.

15. The learned Advocate General has rightly contended that the grievance of the appellant herein is totally immaterial and the amount spent in the Manipal town is not the relevant consideration for the purpose of collection of compensatory tax under the impugned provision, Thee learned Advocate General has rightly placed strong reliance upon the decision of the Apex Court with regard to the constitutional validity of the KTEG Act in the case of State of Karnataka and Ors. v. Hansa Corporation's case, referred to supra. The Supreme Court after considering the legal submissions made in that case and also referring to Atabari Tex Co.'s case and Automobile Transport (Rajasthan) Ltd.'s case, referred to supra, the Apex Court has examined the legal submission whether the requirement of Article 304(b) is satisfied or not at it imposes obligation to obtain the presidential sanction before introducing the bill or amendment for the purpose of Clause (b) of Article 304. Since the President has accorded his sanction to the impugned Act the Apex Court hat held the constitutional requirement of the proviso to Article 304(b) was satisfied the impugned Act is saved by Article 304 and it was not strode down on the ground it is violative of Article 301.

16. Further, the learned Advocate General has rightly placed reliance upon another decision of the Supreme Court in the case of Widia (India) Ltd. v. State of Karnataka and Ors. 132 STC 360 kar. In the said case the notification issued on 23.9.1998 specifying rates of tax for a period 1.4.1994 to 6.1.1998 on the entry of goods into a local area for consumption or use or sale therein was challenged The Apex Court mm examining the correctness of the dismissal of the writ petition of the assessed holding that it was settled law that if tax is compensatory in nature it would be immune from challenge- under Article 301 of the Constitution of India. Further levy of tax by notification at the relevant time was not discriminatory in character as envisaged by Article 304(b) of the restrictions imposed were reasonable and in public interest 11m Act subsequently having received the assent of the President, the proviso to Article 304(b) was complied with and therefore the Act was not the Constitution.

17. In the light of the aforesaid decisions of the Supreme Court namely Jindal Stripe Ltd. and Others Vs. State of Haryana and Others, the learned Advocate General rightly invited our attention to the statement of objects in enacting the KTEG Act after abolition of the octroi in the State which reads thus:

Octroi abolished in the State as it was causing great hardship to transport operators and trading community. The abolition of octroi which is being levied and collected by the local authorities will result in considerable loss of revenue to

them, The State Government will have to make up the loss of revenue. It is therefore considered necessary to levy a tax on entry into local areas of certain goods.

In view of the law laid down by the Supreme Court and the Constitutional validity of the Act having been upheld by the Apex Court in M/s Hansa Corporation case, referred to supra,, and the Act has received tins assent of the President as per the constitutional requirement, we are of the opinion that there is no violation of constitutional provisions as alleged or arbitrariness in introducing the Act.

18. The learned Advocate General has product various documents evidencing the tax collected under the KTEG Act and expenditure incurred for the development of urban local bodies out of the tax collected by the State Government Annexure-R1 is the document showing the entry tax collected under KTEG Act from 1979 to 2004-0. For the year 2004-05 the entry tax collected is Rs. 791.72 crores. Annexure-R2 is the statement showing the entry tax (budget estimates) entry tax (accounts) tad amount given to Urban Local Bodies, the name extracted as under:

				Year
Entry tax	Entry tax (Rs. in crores)	(budget estimates)	(Accounts Urban Local Bodies	
				P NP
1970-80	Nil	0.00	0.00	33.76
1980-81	Nil	0.00	0.00	34.24
1981-82	5.00	5.19	0.00	38.11
1982-83	8.00	11.10	0.00	39.03
1983-84	10.00	11.16	0.00	46.54
1984-85	18.00	17.24	0.00	63.47
1985-86	30.00	25.69	0.00	50.85
1986-87	37.00	32.02	0.00	60.2
1987-88	35.00	41.47	0.00	61.59
1988-89	49.90	47.41	0.00	79.88
1989-90	52.00	56.90	0.00	83.86

1990-91	58.00	65.49	0.00	98.27
1991-92	72.00	82.06	0.00	117.89
1991-93	103.00	109.24	0.00	124.67
1993-94	165.00	132.68	0.00	123.93
1994-95	204.00	117.00	0.00	146.93
1995-96	110.00	168.34	0.00	115.14
1996-97	126.24	199.44	0.00	183.75
1997-98	213.00	234.38	0.00	274.81
1998-99	245.60	273.13	0.00	332.37
1999-00	309.97	337.60	0.00	415.66
2000-01	401.00	473.02	0.00	531.43
2001-02	464.88	498.11	0.00	563.81
2002-03	350.00	516.53	0.00	573.71
2003-04	540.76	673.46	0.00	628.00
2004-05	768.47	791.72	0.00	798.34
2005-06	948.02	-	-	-
2005-06(RE)	1000.73	-	0.00	1160.00
2006-07(BE)	1155.37	-	0.00	2749.07

19. As per Annexure-R3 Division-wise and year-wise collection of entry tax in terms of lakhs is shown. We are concerned about Mangalore district. The total entry tax collected for the period 1986-87 to 1997-98 in Mangalore District is Rs. 5,413.85 lakhs. Annexure-R4 shows the total devolution of funds from the State Government to the Urban Local Bodies. Under the Head of Account budget, provisions are mentioned including the compensatory grants to municipalities, grant out of motor vehicle tax collection, development grants to municipalities, prize amount awarded to best local bodies, recommendation of the Stale Finance

Commission of ULBs and surcharge on stamps and registration, The octroi compensation grants to municipalities for the period 1992-93 to 1996-97 it is Rs. 14,219/- lakhs. Annexure-R5 is the proceeding of the karnataka State Government regarding scheme of devolution of funds to Urban Local Bodies on the recommendations of the second State Finance Commission. The basis is the population, area road length, illiteracy and normative gap of O & M and per capita property tax based on demand the G.O. dated 12.4.2006 was passed following the scheme for devolution of SFC grants to ULBs budget allocation made in the budget for the year 2005 -06 onwards. Various particulars on the basis of global level provisioning aspects are mentioned in the Government Order which are extracted hereunder

(i) The requirement towards shortfall in ULB share for water supply and sewerage projects should be earmarked.

ii) Shortages in externally aided projects arising out of fiscal space should be earmarked for each year, subject to a maximum of Rs. 50 crores per annum

iii) Settlement of one time dues comprising the dues of BWSSB, Audit charges, pension arrears in 2005-06.

iv) In respect of arrears of cess dues 50% will be cleared during 2003-06 and the balance 50% in 2006-07.

v) An amount of Rs. 10.00 crore would be earmarked each year towards Water Scarcity Fund and kept with Director Municipal Administration with the stipulation that this should be released for non-capital relief work and measures through Deputy Commissioners in Urban areas.

vi) In addition, as recommended by SSFC, a Common Purpose Fund of Rs. 5.00 crore shall be set apart each year and kept with Director Municipal Administration for utilising the same for such common activities benefiting several ULBs.

vii) An amount of Rs. 20.00 crores shall be earmarked for special circumstances or special events connected to development in ULBs.

viii) An amount of Rs. 50.00 crore shall be set apart each year from 2006-07 as Incentivisation Fund and given to ULBs for the following revenue and reform performances.

a. Adoption of Self Assessment Scheme

b. Actual increase in revenue receipts

c. Adoption of Double Entry Accounting system (wherever prescribed in Rules)

d. Per capita performance of Tax Collection

e. Adoption of e-Governance initiatives (wherever prescribed by Government)

The Director, Municipal Administration shall draw up a monitor able matrix for

this fund

ix. An amount of Rs. 10.00 crore shall be earmarked for Rain Water harvesting and shall be released to ULBs based on action plan from the year 2006-07."

Annexure-R7 is the statement showing details of expenditure incurred by City Corporation, Mangalore on development works like water supply, electricity supply, sanitation repayment of loans and interest, salary of the staff, etc. Annexure R-8 is the total collection of entry tax under the KTEG Act, for the year 2005-06. Annexure-R9 is the statement showing SFC grants received by all the Urban Local Bodies excluding BMP. The total expenditure spent by the ULBs. in the year 2005-06 is Rs. 1,56,153.58 lakhs, Annexure-R13 is the statement showing the details of expenditure for Udupi City Municipal Council for the year 2005 -06 for various purposes mentioned at Sl No. 1 to 13 such as water supply, street light, storm water drainage SWM, education pubic health, UGD. (SIC)anaace of roads,, electricity charges expenditure on discretionary maintenance of parks, roadside plantation etc., cess paid to government infrastructure, is Rs. 442.35 lakhs. Further, in the said statement it is stated at Note No. 1 that Manipal Area water supply is maintained by CMC Udupi. Annexure-R4 is the Particulars of Entry Tax paid by M/s. Kasturba Hospital Manipal, under KTEG Act, for the years 1996-97 to 2003-06. For the years 20034M to 2003-06 no entry tax is paid.

20. The aforesaid particulars are furnished by the State Government regarding the receipt of tax under the KTEG Act, Motor Vehicles Tax Act, Sale Tax Act, Municipal Corporation Act, and Karnataka Stamp Act at compensatory tax in addition to the local taxes collected, the grants received from SFCs and the amount allocated to various Urban Local Bodies for the purpose of providing various services, referred to supra, levy of compensatory tax under various provisions of the Acts in addition to the regular taxes is to provide services to the community as a whole as held by the Supreme Court in the case of Jindal s Steels Ltd. referred to supra, is not arbitrary and illegal, The services and facilities are required to be provided by the State Government out of the entry tax collected from the traders. Sanctioning the amount for maintenance of all the services/facilities in the Urban Local Bodies is a statutory obligation on the part of both State Government and the Local Bodies. Therefore, we are of the view that the particulars furnished in various documents clearly show that the impugned provision of the Art is passed in public interest Hence, LA 11/06 is allowed and the documents produced are taken on record, the request made in the memo is granted.

21. In view of the categorical findings and reason recorded by us on proper appreciation of the materials produced by the Stale Government, we are satisfied that the collection of entry tax is a compensatory tax which has been diverted to Urban Local Bodies to provide various services and infrastructure facilities to traders community to carry on their business activities, Therefore we are of the view that the levy of entry tax by the State Government in addition to various

compensatory taxes and ceases is in accordance with law. Accordingly, we answer the question in favour of the Respondents-State
Consequently the appeal and the writ petition are dismissed.