

Khandige Sham Bhat and Others v. The Agricultural Income Tax Officer

Writ Petitions Nos. 103 and 104 of 1961

[1963] 3 SCR 809 | 1962-08-29

Agricultural Income-tax: historical territorial classification and temporary annualisation of income upheld under Article 14.

Kerala Agricultural Income-tax Act, 1950: section 2A, inserted by Kerala Act 11 of 1959; sections 2(o), 3 and 56 | States Reorganisation Act, 1956: section 5(2) | Constitution of India: Articles 14 and 32

Five-judge Constitution Bench; judgment delivered by K. Subba Rao, J. | B. P. Sinha, C.J. | K. Subba Rao, J. | J. C. Shah, J. | N. Rajagopala Ayyangar, J. | J. R. Mudholkar, J.

Tax classification remains subject to Article 14

The Court allowed latitude in fiscal classification but retained the requirements of intelligible differentia, rational nexus and scrutiny of actual effect. It did not immunise taxation from equality review.

Temporary historical annualisation rule

For the standard 17-month period, 12/17 of total income fixed the applicable annual rate and exemption threshold; the total period's income remained the tax base. This is not a current central Income-tax formula.

01 FACTS OF THE CASE

The petitioners' agricultural lands were in Kasaragod, formerly in Madras and included in Kerala from 1 November 1956. A High Court ruling prevented assessment for 1957-58 under the earlier definition of previous year, including income arising during the first five months after reorganisation. Kerala inserted section 2A to address that gap for the 1958-59 assessment. It generally combined income from 1 November 1956 to 31 March 1958, subject to an accounting-date option, and annualised income to determine rate and exemption. The petitioners challenged territorial differentiation and the effect on seasonal cash-crop receipts under Article 14.

Source: [SCR812-816](#) / [PDFpp.4-8](#)

02 DISCUSSION BY THE HON'BLE COURT

The Court applied intelligible differentia and rational nexus, examining the law's effect rather than wording alone. Historical differences between the former Madras and Travancore-Cochin territories justified bringing post-merger agricultural income into the tax system. Territorial classification was not confined to laws enacted before merger. Fiscal legislation allowed wider practical discretion, but remained subject to equality review. Competing annualisation methods could each create individual advantages or hardship; the crop tables and available accounting-date option did not show that the selected method unfairly targeted the petitioners. A preferable alternative did not by itself establish arbitrariness.

Source: [SCR816-829 / PDFpp.8-21, including crop tables SCR826-827](#)

03 JUDICIAL DECISION

Section 2A survived the Article 14 challenge. The territorial distinction had a rational connection with the transitional tax gap. For a 17-month previous year, the annual figure was 12/17 of total income to identify the rate and exemption threshold, rather than to replace the total taxable income. The chosen method was not shown to be capricious, fanciful, arbitrary or clearly unjust. Its temporary application was relevant to reasonableness, not an exemption from Article 14.

Source: [SCR818-825 and SCR828-829 / PDFpp.10-17,20-21](#)

04 OUTCOME / IN WHOSE FAVOUR

Writ Petition 103/1961 was dismissed with costs, and the same result expressly governed WP104/1961, which was also dismissed with costs. There was one set of hearing fees, without prejudice to the earlier costs order of 16 March 1962. No assessment was quashed and no fresh assessment or remand was directed by this judgment.

Source: [SCR830 / PDFp.22, before the next report](#)

05 AKHB REVIEW POINT

AKHB analysis: identify the statutory objective, the historical distinction between taxpayer groups, and evidence of the rule's actual impact. Distinguish the taxable-income base from an annualised amount used only for rate or exemption. Individual seasonal hardship is relevant evidence but does not automatically invalidate a uniform method. This decision does not validate every territorial distinction or current tax formula; confirm the governing enactment and subsequent constitutional treatment before reliance.

Source: [AKHB analysis based on SCR816-829 / PDFpp.8-21](#)

SOURCE & VERIFICATION

Supreme Court Reports scan - public eSCR mirror

All 22 physical pages read. Headnotes: SCR809-811 / PDFpp.1-3. Judicial text: SCR812-830 / PDFpp.4-22, ending before the unrelated Bhiva Doulu Patil headnote on the last page. No printed paragraph numbering; SCR/PDF pinpoints are used.

Open cited source rendition

All 22 physical source pages were read, including the crop tables. PDFpp.1,4,10,18,19,22 were visually inspected. Caption/date, five-judge bench, both writ petitions and operative dismissal were verified.

The opening jurisdiction line identifies WP103/1961; the final order expressly identifies WP104/1961. The adjacent criminal-case headnote on SCR830 is not part of this judgment.

The narrative on SCR819 has an isolated 1966/1956 date anomaly; the statutory text on SCR818 and repeated reasoning fix commencement at 1 November 1956. Original bytes are retained. No invented paragraph numbers or corrected source PDF.

Published and archived note identity/hash searches disclosed no matching case note.

STATUTORY SCOPE

This concerns a one-year transition provision under the historical Kerala agricultural Income-tax law following States reorganisation. It does not prescribe a present central Income-tax computation, exemption or assessment period.

LATER TREATMENT

Source checked 2026-10-14. Historical constitutional and agricultural Income-tax decision. No comprehensive subsequent-treatment or present-law clearance is claimed.

IDENTIFIED SOURCE LINKS

[reported judgment - PDF pages: 22](#)

SHA-256: 60d98b926fc94afe48068d16881d41932bc2d783b91bbdd29bc2511f747cf131

AI DISCLOSURE

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