

Maharaja Shree Umaid Mills Ltd. v. Union of India

Civil Appeal No. 214 of 1956 with Civil Appeal No. 399 of 1960

[1963] Supp. 2 SCR 515 | 1962-11-27

Princely-State contractual tax concessions: law, sovereign succession and Union taxation

Indian Income-tax Act, 1922, extended by the Finance Act, 1950 | Central Excises and Salt Act, 1944; Finance Act, 1950: section 11 | Constitution of India: Articles 19, 31, 245, 295 and 372

Five-judge Bench; judgment delivered by S. K. Das, J. | S. K. Das, J. | J. L. Kapur, J. | A. K. Sarkar, J. | M. Hidayatullah, J. | Raghubar Dayal, J.

Contract, not a sovereign law

The Court examined the negotiated character and terms of this particular agreement. It did not hold that every act of a former ruler lacks legislative character.

Two appeals; no exemption or refund granted

The common judgment disposes of the income-tax writ appeal and the connected excise suit appeal. The Court did not decide the High Court's alternative-remedy ground or the contract-frustration question.

01 FACTS OF THE CASE

The company manufactured cloth and yarn at Pali under a negotiated agreement of 17 April 1941 with the Ruler of Jodhpur. Clauses 6(e) and 6(f) provided exemptions or refunds for specified State or Federal excise and income-tax liabilities, alongside the company's contractual obligations. After accession, the formation of Rajasthan and commencement of the Constitution, central taxation enactments were extended to the territory. In Civil Appeal 214 of 1956 the company challenged the refusal of a writ restraining income-tax assessment and recovery. Civil Appeal 399 of 1960 arose from an excise suit claiming exemption, refund of duty paid under protest, interest and consequential relief against the Union and Rajasthan. The company argued that the agreement was sovereign law preserved by Article 372 or, alternatively, a contract binding successor governments and protected against alteration by Article 295.

Source: [SCR pp. 518-525 / PDF pp. 4-11](#)

02 DISCUSSION BY THE HON'BLE COURT

The Court treated the form and substance of the instrument as decisive. Proposals, counter-proposals, negotiations and the formal agreement established a consensual bargain; the ruler's participation did not turn it into legislation. No statute had adopted the agreement as a legislative contract. The contemplated federation under the Government of India Act, 1935 never came into existence and could not be equated with the later Union of India. The agreement contained no undertaking against that future Union's taxes. In addition, the correspondence did not establish that either the United State of Rajasthan or the later Part B State affirmed the claimed income-tax or excise exemptions. Without an enforceable pre-Constitution right, Article 295 could not transfer the asserted liability to the Union. The Article regulated succession to assets, rights and liabilities, but did not permanently prevent competent legislation altering contractual terms. The intergovernmental agreement of 25 February 1950 also did not support the company's asserted constitutional guarantee.

Source: [SCR pp. 525-540 / PDF pp. 11-26](#)

03 JUDICIAL DECISION

The 1941 agreement was not law within Article 372. Its terms did not grant immunity from the later Union's taxation, and the successor States had not recognised the asserted concessions. The Court rejected the claim that Article 295 entrenched contractual tax exemptions against future legislation. On its findings of no enforceable right, the company's Articles 19 and 31 arguments and refund claim against Rajasthan also failed. It expressly left contract frustration undecided; it had earlier found it unnecessary to address the High Court's preliminary reason for refusing the income-tax writ.

Source: [SCR pp. 532-541 / PDF pp. 18-27; preliminary issue at SCR p. 518 / PDF p. 4](#)

04 OUTCOME / IN WHOSE FAVOUR

Both appeals were dismissed with costs, with one hearing fee. The company failed in its income-tax restraint claim and in its connected excise and Rajasthan-refund claims. The order did not confer an exemption, direct a refund or remand the assessment dispute. The reasoning must be applied with its findings on the particular agreement and lack of successor recognition.

Source: [SCR p. 541 / PDF p. 27](#)

05 AKHB REVIEW POINT

AKHB analysis: distinguish a negotiated tax covenant from an instrument having force of law, and identify the precise sovereign, tax and time period covered. A succession provision does not itself prove that the asserted right existed, was recognised or became immune from later legislation. For historical concession disputes, trace the original terms, accession and integration instruments, successor recognition and the applicable tax enactment separately. Preserve the judgment's limits: it does not decide frustration, every ruler's order or every modern incentive promise. Verify subsequent judicial treatment and the applicable constitutional and statutory text before relying on it in a present exemption or refund claim.

Source: [AKHB synthesis of SCR pp. 525-541 / PDF pp. 11-27](#)

SOURCE & VERIFICATION

Supreme Court Reports scan - public eSCR mirror

All 27 report pages were read. Reporter summary and procedural material occupy SCR pp. 515-517; the judicial reasons begin on SCR p. 517 (PDF p. 3) and conclude on SCR p. 541 (PDF p. 27). Income-tax and excise appeals are decided together. Counsel submissions, quotations and unneeded alternative issues are distinguished from the holdings.

Open cited source rendition

All 27 pages were read in contiguous PDF ranges 1-9, 10-18 and 19-27. Exact downloaded bytes match the catalogue SHA-256.

Caption, five-member Bench, 27 November 1962 date and both appeal numbers were checked. The report year is 1963; it is not the decision year.

Published metadata was compared by party variants Umaid/Umed, both dockets, source URL and exact source hash. No matching published note was found.

The ruling on Article 295 preserves the constitutional course of succession but rejects perpetual immunity of contract terms from legislative change. The judgment does not decide frustration.

STATUTORY SCOPE

Historical integration of princely States and extension of the 1922 income-tax and central-excise enactments in 1950. References to Articles 19 and 31 reflect the constitutional text then considered. The holding is not a general determination of every present tax incentive, promissory-estoppel claim or contractual refund covenant.

LATER TREATMENT

Source checked 2026-10-12. Primary-source review of this historical decision only. Subsequent judicial treatment, constitutional amendments and the present statutory position have not been comprehensively checked; no current-law clearance is claimed.

AI DISCLOSURE

This AKHB research note was prepared with AI assistance from identified primary sources; independent human review is not represented.

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