

# Union of India and Others v. Gwalior Rayon Silk Manufacturing (Weaving) Co. Ltd. and Another

Civil Appeals Nos. 934 and 935 of 1963

[1964] 7 SCR 892 | 1964-04-28

**Princely-state income-tax concession: contractual exemption did not prevent competent later legislation from subjecting the company to the statutory tax and concessions regime.**

Indian Income Tax Act, 1922: section 60A | Finance Act, 1950: section 13 | Part B States (Taxation Concessions) Order, 1950: clause 16 | Constitution of India: articles 278, 295(1)(b) and 372

5-judge bench | P. B. Gajendragadkar, C.J. | K. N. Wanchoo, J. | M. Hidayatullah, J. | K. C. Das Gupta, J. | N. Rajagopala Ayyangar, J.

Assessment years: 1950-51, 1951-52, 1952-53

## Contract was not legislation

The Ruler's approval was construed in its negotiation context and did not constitute a law continued under article 372.

## Existing statutory concessions remained

The Court rejected the broader contractual exemption, without cancelling the weaving-section concessions already granted under clause 16.

## 01 FACTS OF THE CASE

Birla Brothers sought concessions to establish industries in Gwalior. The Ruler approved a twelve-year tax exemption on 18 January 1947, followed by an agreement dated 7 April 1947. The weaving business began in June 1949 and the staple-fibre section in February 1954. Following integration and extension of the Income Tax Act from 1 April 1950, the Central Government granted limited weaving-section relief under clause 16 but refused staple-fibre relief. The company secured a High Court declaration enforcing the full agreement, leading to the Union's two appeals. The report discusses assessments for 1950-51 to 1952-53 within a wider claim to twelve-year exemption (SCR pp. 894-902; PDF pp. 3-11).

Source: [Primary judgment: facts](#)

## 02 DISCUSSION BY THE HON'BLE COURT

The Court distinguished a sovereign's legislative acts from executive approvals. Read with the negotiations and subsequent contract, the unpublished 1947 order merely accepted requested concessions; it was not law continued by article 372 (SCR pp. 902-907; PDF pp. 11-16). Article 295 substituted the Union for the former State in its obligations without elevating a contract above competent, constitutionally valid legislation (SCR pp. 908-911; PDF pp. 17-20). Extension of the Act, section 60A and the Concessions Order superseded the contractual exemption. The intergovernmental agreement's expectation that privileges ordinarily continue was qualified, and article 278 concerned revenue assessment, collection and distribution rather than insulating this private contract from taxation legislation (SCR pp. 912-919; PDF pp. 21-28).

Source: [Primary judgment: discussion](#)

## 03 JUDICIAL DECISION

The Court allowed both Union appeals, set aside the High Court's writ order and suit decree, and dismissed the company's writ petition and suit. The company could claim only relief available generally under the Concessions Order or specifically granted under clause 16. Parties bore their own costs throughout (SCR pp. 914-915 and 919; PDF pp. 23-24 and 28).

Source: [Primary judgment: decision](#)

## 04 OUTCOME / IN WHOSE FAVOUR

In favour of the Union/Revenue on the disputed contractual exemption. Previously granted statutory weaving-section relief remained the company's available concession; the wider twelve-year claim and staple-fibre claim failed (SCR pp. 915 and 919; PDF pp. 24 and 28).

Source: [Primary judgment: outcome](#)

## 05 AKHB REVIEW POINT

AKHB analysis: separate an industrial-incentive promise, its contractual terms and its enabling statutory authority. Identify later legislation, saving provisions and the actual exemption order before treating a promised tax holiday as enforceable. The decision's historical integration provisions must not be mechanically substituted for current incentive or promissory-estoppel law (analysis based on SCR pp. 903-915 and 919; PDF pp. 12-24 and 28).

Source: [Primary judgment: reviewPoint](#)

## SOURCE & VERIFICATION

### [Supreme Court Reports scan - public eSCR mirror](#)

Full 28-page SCR report read and checked. The editorial headnote was distinguished from the judgment text and operative order.

### Open cited source rendition

The source report contains 28 pages. Reporter headnotes and adjacent-case text are distinguished from the target judgment and operative order.

The primary source identifies Civil Appeals Nos. 934 and 935 of 1963, the stated bench, issues, reasoning and operative result.

### **STATUTORY SCOPE**

The case concerns integration of former Indian States and the historical Part B States income-tax regime. Its discussion of article 278 records the constitutional text then in force; it is not a current industrial-incentive or tax-exemption clearance.

### **LATER TREATMENT**

Source checked 2026-10-10. Later judicial treatment and current statutory applicability have not been comprehensively checked; no current-law or citator clearance is represented.

### **AI DISCLOSURE**

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