

State of Uttar Pradesh and Others v. Sri Narain

Civil Appeal No. 424 of 1963

[1965] 3 SCR 130 | 1965-02-22

Historical agricultural-income-tax recovery: delivered zamindari compensation bonds were neither compensation still payable nor legal tender for tax arrears.

Uttar Pradesh Zamindari Abolition and Land Reforms Act, 1950: sections 6(d) and 68 | Uttar Pradesh Zamindari Abolition and Land Reforms Rules: Rules 8-A and 62-65 | Uttar Pradesh Agricultural Income-tax Act, 1948

5-judge bench | K. Subba Rao, J. | Raghubar Dayal, J. | J. R. Mudholkar, J. | R. S. Bachawat, J. | V. Ramaswami, J.

Assessment years: 1360 Fasli (corresponding to 1952-53)

Historical state-law setting

The ruling concerns Uttar Pradesh zamindari-compensation bonds and agricultural-income-tax arrears under the statutes then in force, not present federal income-tax payment mechanisms.

Payment had already occurred

The decisive distinction was that delivery of the bonds paid the compensation. Section 6(d) and Rule 8-A addressed deduction from compensation still payable; they did not require acceptance of bonds already delivered.

Negotiability is not legal tender

The Court treated negotiability as transferability to a willing purchaser, not a compulsory right to tender the instrument to Government for tax dues.

01 FACTS OF THE CASE

Sri Narain, an ex-zamindar, owed Rs.868 in agricultural income tax and penalties for 1360 Fasli, corresponding to 1952-53. After an earlier challenge to liability failed, he tendered zamindari abolition compensation bonds worth Rs.850 and Rs.18 cash. The assessing officer and Collector refused the bonds. The Allahabad High Court quashed the Collector's order because it considered that section 6(d) and Rule 8-A had been ignored, and directed a fresh decision. The State appealed.

Source: [Facts and High Court proceedings: SCR pp.130-132 / PDF pp.1-3](#)

02 DISCUSSION BY THE HON'BLE COURT

Section 6(d), as retrospectively amended, allowed pre-vesting agricultural-income-tax arrears to be deducted from compensation money payable to an intermediary, and Rule 8-A prescribed such realisation from interim compensation or compensation payable. Neither provision authorised payment of tax by tendering compensation bonds. Section 68 and Rules 62-65 showed that delivery of cash or bonds itself paid the compensation; compensation did not remain payable until each bond was encashed. Although the bonds were negotiable, that characteristic meant only that the holder could transfer them to a willing purchaser. It did not make them legal tender or oblige Government to accept them for dues. Collector of Sultanpur v. Raja Jagdish Prasad Sahi supported the mandatory character of Rule 8-A for compensation still payable, but did not convert delivered bonds into a required tax-payment medium.

Source: [Statutory reasoning and legal-tender distinction: SCR pp.132-134 / PDF pp.3-5](#)

03 JUDICIAL DECISION

The Supreme Court held that the Collector committed no error by refusing delivered bonds that were not then cashable as payment of the agricultural-income-tax arrears. It allowed the State's appeal, set aside the High Court order, restored the Collector's order dated 24 August 1956 and awarded costs against the respondent.

Source: [Operative order: SCR p.134 / PDF p.5](#)

04 OUTCOME / IN WHOSE FAVOUR

In favour of the State/Revenue. The taxpayer could not compel acceptance of the already delivered compensation bonds for the historical tax arrears. The judgment did not deny the statutory deduction mechanism while compensation remained payable.

Source: [Outcome and limits: SCR pp.133-134 / PDF pp.4-5](#)

05 AKHB REVIEW POINT

AKHB analysis: when an assessee proposes to discharge tax with a bond, credit, refund or other instrument, separate three questions: whether the statute authorises set-off or deduction, whether the underlying amount is still payable, and whether the tendered instrument must be accepted as legal tender. Transferability does not by itself answer any of them. Apply only the currently governing payment, recovery and set-off provisions.

Source: [AKHB analysis based on the compensation-payment and tender distinctions](#)

SOURCE & VERIFICATION

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

Full 5-page SCR report read; the editorial headnote on PDF page 1 was distinguished from Raghubar Dayal J.'s judicial opinion beginning on PDF page 1 and continuing through page 5.

Open cited source rendition

Exact 185,644-byte source, SHA-256 and 5-page count match catalogue asset 1965_3_130_134.

The report verifies Civil Appeal No. 424 of 1963, decision date 22 February 1965, the five-judge bench and opinion by Raghubar Dayal J.

The source states assessment year 1360 Fasli corresponding to 1952-53 and previous year 1359 Fasli corresponding to 1951-52.

STATUTORY SCOPE

This five-judge decision applies historical Uttar Pradesh land-reform, compensation-bond and agricultural-income-tax provisions. It does not establish a present rule for payment of income tax, government securities, dematerialised instruments or current state agricultural-income taxation.

LATER TREATMENT

Source checked 2026-10-10. Comprehensive later treatment and current statutory applicability have not been verified; no current-law or citator clearance is represented.

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