

# Commissioner of Income Tax, Assam v. Panbari Tea Co. Ltd.

Civil Appeal No. 150 of 1964

[1965] 3 SCR 811 | 1965-04-19

**Lease premium versus rent: instalment payment did not alter the capital character of the price paid for transfer of the right to enjoy two tea estates.**

Indian Income Tax Act, 1922: section 66(1) | Transfer of Property Act, 1882: section 105

3-judge bench | K. Subba Rao, J. | J. C. Shah, J. | S. M. Sikri, J.

Assessment years: 1952-53

## Substance controls nomenclature

The Court treated the labels premium and rent as relevant but not conclusive; the transaction, document and surrounding circumstances had to establish the true character.

## Instalments not decisive

The premium remained capital on these facts although paid by instalments; the judgment does not create an automatic rule for every staggered lease payment.

## 01 FACTS OF THE CASE

Panbari Tea leased the Panbari and Barchola tea estates, with their machinery and buildings, to Hiralal Ramdas for ten years from 1 January 1950. The registered deed separately fixed Rs. 2,25,000 as premium and Rs. 54,000 as annual rent. Rs. 45,000 of premium was payable on execution and the Rs. 1,80,000 balance in sixteen half-yearly instalments of Rs. 11,250. For AY 1952-53 the Income Tax Officer treated one Rs. 11,250 premium instalment as revenue; the appellate authority and Tribunal agreed. On the assessee's reference, the Assam High Court treated it as capital, leading to Revenue's certificate appeal.

Source: [Lease consideration, instalments and assessment history: SCR pp.812-813 / PDF pp.2-3](#)

## 02 DISCUSSION BY THE HON'BLE COURT

Section 105 of the Transfer of Property Act distinguished the price for transfer of a right to enjoy property, called premium, from periodic consideration for continuing enjoyment, called rent. The former is capital in the lessor's hands and the latter revenue. Neither labels nor lump-sum form are conclusive: the court examines substance, and a premium may be paid in instalments. Here substantive interests in two substantial tea estates and associated assets were transferred for ten years. The deed separately stipulated a significant annual rent and a premium; the business parties deliberately used the two expressions, and instalments could reasonably accommodate the lessee. The confused default clause preserved the lessor's rights and did not override the main terms. Revenue's comparison of pre- and post-lease profits lacked agreed data and did not prove disguised rent. Nothing displaced the deed's premium characterization.

Source: [Capital premium and revenue rent distinguished: SCR pp.813-814 / PDF pp.3-4](#); [Section 105 and substance-over-form test: SCR p.814 / PDF p.4](#); [Application to the two estates and separate consideration: SCR pp.815-816 / PDF pp.5-6](#)

## 03 JUDICIAL DECISION

The Court held that the record contained no direct or circumstantial material to displace the deed's description of the Rs. 11,250 instalment as premium. The High Court's capital-receipt answer was correct, and Revenue's appeal was dismissed with costs.

Source: [Capital characterization and dismissal: SCR p.817 / PDF p.7](#)

## 04 OUTCOME / IN WHOSE FAVOUR

In favour of the assessee. The instalment retained its character as capital premium paid for the transfer of the right to enjoy the tea estates; it was not proved to be disguised rent or a revenue receipt.

Source: [Revenue appeal dismissed with costs: SCR p.817 / PDF p.7](#)

## 05 AKHB REVIEW POINT

AKHB analysis: classify a lease receipt by mapping each payment to the right actually transferred, not by its label, periodicity or payment schedule alone. Preserve the complete deed, the possession grant, duration, default and termination terms, the independent recurring rent and evidence bearing on commercial substance. For present advice, separately examine the current income-tax, capital-gains, withholding and indirect-tax rules and later authorities.

Source: [AKHB analysis based on the premium-versus-rent substance test](#)

## SOURCE & VERIFICATION

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

Full 7-page SCR report read and visually checked. The editorial headnote on PDF p.1 was distinguished from Subba Rao J.'s judgment beginning on PDF p.2 and continuing through PDF p.7.

[Open cited source rendition](#)

Exact source bytes, SHA-256 and 7-page count match catalogue asset 1965\_3\_811\_817; every page was read as extracted text and inspected as a rendered image.

The judicial text verifies Civil Appeal No. 150 of 1964, the three-member bench, AY 1952-53, the lease terms and dismissal of Revenue's appeal.

No published AKHB record or archived reviewed release with this party identity, citation, case number or source asset was found.

### **STATUTORY SCOPE**

The decision classifies a receipt under the repealed Indian Income Tax Act, 1922 by construing a 1950 lease and section 105 of the Transfer of Property Act. It does not provide current-law clearance for lease premiums, capital gains, depreciation, indirect taxes or withholding consequences.

### **LATER TREATMENT**

Source checked 2026-10-10. Later treatment and the present tax consequences of lease premiums have not been comprehensively checked; no current-law or citator clearance is represented.

### **AI DISCLOSURE**

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