

S. S. Rajalinga Raja v. State of Madras

Civil Appeals Nos. 979 and 980 of 1965

[1967] 1 SCR 950 | 1966-10-26

State agricultural income tax: plantation produce became monetary or notional income on sale, consumption or business use, not merely on harvest or receipt.

Madras Plantations Agricultural Income-tax Act, 1955: sections 3, 4, 20(1)(c), 65 and the definition of agricultural income

3-judge bench | J. C. Shah, J. | V. Ramaswami, J. | V. Bhargava, J.

Assessment years: 1957-58

State agricultural-income statute

The ruling interprets a historical Madras plantation-tax enactment and does not state a current federal income-tax or state agricultural-tax rule.

01 FACTS OF THE CASE

The assessee owned a fifty-acre cardamom plantation and returned net agricultural income of Rs.5,250 for AY 1957-58. During 1 April 1956 to 31 March 1957 he sold cardamom worth Rs.58,375-9-9, claiming it was accumulated produce from the preceding three or four years. The officer rejected that explanation, estimated expenses and assessed the balance, also imposing penalty. The Tribunal reduced the yield estimate and set aside penalty. On State revision, the Madras High Court restored the Department's assessment because reliable stock evidence was absent and rejected the claim that earlier composition under section 65 proved prior taxation of the sold crop.

Source: [Plantation sales, assessment and procedural history: SCR pp.951-952 / PDF pp.2-3](#)

02 DISCUSSION BY THE HON'BLE COURT

Sections 3 and 4 and the agricultural-income definition charged monetary return, actual or notional, from plantation activity. Mere production or receipt of a commodity was not itself income in the asserted sense; income arose on sale, consumption or use in the assessee's business. Thus earlier harvest did not exempt proceeds realised in the year of account. Dooars Tea was confined to holding that sale was not indispensable where self-use produced a business benefit; it did not make income arise merely on harvest. Prior composition applications also did not prove that the specific crop later sold had already suffered tax; that required evidence, which was absent.

Source: [Income timing, self-use and proof reasoning: SCR pp.952-954 / PDF pp.3-5](#)

03 JUDICIAL DECISION

The Court rejected both arguments, held that sale income from earlier-year produce was not exempt in the sale year and that prior composition did not prove prior taxation of the stock. Both appeals were dismissed with costs, one hearing fee.

Source: [Holdings and dismissal: SCR pp.953-954 / PDF pp.4-5](#)

04 OUTCOME / IN WHOSE FAVOUR

In favour of the State/Revenue on the assessment. The sale-year inclusion stood because earlier production did not itself establish prior taxation, and the assessee lacked crop-specific evidence. The separate penalty had already been set aside and was not restored by the operative order.

Source: [Operative outcome: SCR p.954 / PDF p.5](#)

05 AKHB REVIEW POINT

AKHB analysis: maintain harvest-year, opening-stock, sale, consumption and self-use records that trace each agricultural lot. A prior composition payment does not by itself prove that a later-sold stock item was previously taxed. Before applying the timing principle, identify the currently governing state statute, its income definition and any inventory or composition rule.

Source: [AKHB analysis based on timing and evidentiary holdings](#)

SOURCE & VERIFICATION

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

Full 5-page SCR report read; editorial headnote on PDF p.1 was distinguished from the unnumbered judicial text beginning on PDF p.2.

[Open cited source rendition](#)

Exact source bytes and 5-page count match catalogue asset 1967_1_950_954.

The report verifies Civil Appeals Nos.979 and 980 of 1965; the catalogue records only the first appeal.

The original penalty was set aside by the Tribunal; the Supreme Court's operative dismissal concerns the restored assessment and does not reinstate a penalty.

The catalogue's retrospective 1966INSC228 identifier is not printed in the report and is not independently certified here.

STATUTORY SCOPE

This decision concerns the Madras Plantations Agricultural Income-tax Act, 1955 for AY 1957-58. State agricultural-income statutes, territorial changes and current rules have not been checked.

LATER TREATMENT

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

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