

## Anglo American Direct Tea Trading Co. Ltd. v. Commissioner of Agricultural Income-tax, Kerala State, Trivandrum

Civil Appeals Nos. 936 to 939, 585 to 588 and 589 to 591 of 1966

[1968] 2 SCR 745 | 1968-01-10

**Composite tea income and Kerala agricultural income-tax: once central income-tax authorities had computed tea income under the governing central Act and rule 24 or rule 8, Kerala's officer had to accept that computation and assess only the statutory agricultural portion, and no 1957 surcharge could be imposed for assessment year 1957-58.**

Indian Income-tax Act, 1922: sections 2(1), 10 and 59; Income-tax Rules, 1922: rule 24 | Income-tax Act, 1961: sections 2(1), 28 to 44 and 295; Income-tax Rules, 1962: rule 8 | Kerala Agricultural Income-tax Act, 1950: sections 2(a), 2(s), 3, 5, 6, 7, 17, 18, 21 to 29, 35, 36, 60(1) and 67 | Kerala Surcharge on Taxes Act, 1957 | Constitution of India: Articles 274(1) and 366(1); Seventh Schedule, List I entry 82 and List II entry 46

5-judge bench; unanimous common judgment delivered by R. S. Bachawat, J. | K. N. Wanchoo, C.J. | R. S. Bachawat, J. | J. M. Shelat, J. | G. K. Mitter, J. | C. A. Vaidialingam, J.

Assessment years: 1957-58, 1958-59, 1959-60, 1960-61, 1961-62

### Completed central assessment was the premise

In all appeals the central assessment had been completed before the Kerala officer acted; the Court expressly left open the wider question whether the State assessment must always await the central one.

### Tea rule only

The binding-computation holding concerned tea under rule 24 of the 1922 Rules and rule 8 of the 1962 Rules. The Court expressly disclaimed any holding that rule 23 or rule 7 computations were binding.

### State deductions remained bounded

The State could deduct allowances authorised by section 5 of the Kerala Act only insofar as they had not already been allowed centrally; the judgment did not permit duplicate deductions.

**Surcharge issue affected only specified appeals**

The 1957-58 surcharge ruling applied to Civil Appeals Nos. 585 to 588 and 589 to 591 of 1966; the common judgment covered different taxpayers and assessment-year ranges.

**01 FACTS OF THE CASE**

Anglo American Direct Tea Trading Co., Travancore Tea Estates Co. and Southern India Tea Estates Co. cultivated, manufactured and sold tea, with some plantations both inside and outside Kerala. For varying assessment years from 1957-58 to 1961-62, central authorities computed total composite tea income, taxed 40% as non-agricultural income and left 60% as agricultural income. Kerala's Agricultural Income-tax Assistant Commissioner disregarded those completed central computations and independently produced higher agricultural income. The State appellate authority approved that approach, the Tribunal rejected it, and the Kerala High Court restored the State's power to recompute. Some appeals also challenged a 5% surcharge for 1957-58 (SCR pp.747-748; PDF pp.3-4).

Source: [Primary judgment: facts](#)

**02 DISCUSSION BY THE HON'BLE COURT**

The constitutional definition of agricultural income and the Kerala Act's Explanation adopted the central rule for computing composite tea income. Under rule 24 of the 1922 Rules and rule 8 of the 1962 Rules, the whole tea income was first computed as business income, 40% was treated as business income and the balance 60% as agricultural income. The State's legislative power could not enlarge that agricultural component by recomputing the central base (SCR pp.748-751; PDF pp.4-7). The Kerala Act contained no express power to disregard the central assessment. Its officer therefore had to start with 60% of the completed central computation, reduce only still-available State deductions, and, for land partly outside Kerala, apply section 6 and rule 15. Administrative difficulties could not supply an omitted taxing power. The Court limited this holding to completed rule 24/rule 8 tea assessments and left broader timing and other composite-income rules open (SCR pp.751-753; PDF pp.7-9). Binding authority also foreclosed the 1957-58 surcharge (SCR p.753; PDF p.9).

Source: [Primary judgment: discussion](#)

**03 JUDICIAL DECISION**

The Court answered the principal reference for the appellants: the Kerala officer was bound by the already completed central tea-income computation under rule 24 or rule 8. It also held that no surcharge under the 1957 Kerala Act could be levied for assessment year 1957-58 in the specified appeals. The High Court judgments were set aside and all appeals allowed with costs and one hearing fee (SCR pp.752-753; PDF pp.8-9).

Source: [Primary judgment: decision](#)

#### 04 OUTCOME / IN WHOSE FAVOUR

In favour of the tea-company appellants. They obtained restoration of the central composite-income base and, where applicable, removal of the 1957-58 surcharge; the State retained assessment of the agricultural component and authorised non-duplicative deductions (SCR pp.751-753; PDF pp.7-9).

Source: [Primary judgment: outcome](#)

#### 05 AKHB REVIEW POINT

AKHB analysis: for composite tea income, establish the precise central rule, verify whether the central assessment preceded the State proceeding, reconcile the 40:60 apportionment and remove deductions already granted before applying State-specific deductions or territorial allocation. Do not extend this judgment automatically to other produce, rule 7 computations or current State law. Confirm present statutory text and later authority independently (based on SCR pp.749-753; PDF pp.5-9).

Source: [Primary judgment: reviewPoint](#)

#### SOURCE & VERIFICATION

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

Full 9-page SCR report read and checked. The editorial headnote and adjacent-report boundary text were distinguished from the judicial opinion and operative order.

##### [Open cited source rendition](#)

Exact source bytes, SHA-256 and 9-page count match catalogue asset 1968\_2\_745\_753; every page was reviewed.

The source verifies Civil Appeals Nos. 936 to 939, 585 to 588 and 589 to 591 of 1966, the stated bench, issues, reasoning and operative result.

No published or archived standalone AKHB note with this source hash, case identity and operative decision was found.

#### STATUTORY SCOPE

This common judgment applies the historical central income-tax and Kerala agricultural income-tax provisions governing composite tea income, including rule 24 of the 1922 Rules and rule 8 of the 1962 Rules. It does not certify current Kerala agricultural income-tax administration, later surcharge law or the present application of composite-income rules. No current-law or later-treatment clearance was undertaken.

#### LATER TREATMENT

Source checked 2026-10-11. Later judicial treatment and current statutory applicability have not been comprehensively checked; no current-law or citator clearance is represented.

**AI DISCLOSURE**

This AKHB research note was prepared with AI assistance from the identified primary report and has not been represented as independently human-reviewed.

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