

A. K. T. K. M. Vishnudatta Andharjanam, represented by D. V. Nambudiripad v. Commissioner of Agricultural Income Tax, Trivandrum

Civil Appeal Nos. 2327-2328 of 1968

[1971] 1 SCR 535 | 1970-05-05

Kerala agricultural income tax: one-time sale of teak trees removed with their roots to replant the land affected the capital structure and was not a revenue receipt.

Kerala Agricultural Income-tax Act, 1950: section 60(1) | Capital-versus-revenue character of tree-sale receipts under the historical State agricultural-income-tax assessment

3-judge bench | J. C. Shah, J. | K. S. Hegde, J. | A. N. Grover, J.

Roots and source both removed

The result depended on complete removal of the trees with their roots, no possibility of regeneration and replacement of teak with rubber. It is not a rule that every sale of standing timber is capital.

Profit motive not decisive

The Court rejected profit motive as a sufficient test, but did not hold that all profitable disposals or all one-time receipts are outside income.

Historical State levy

The operative assessment arose under the Kerala Agricultural Income-tax Act for AYs 1963-64 and 1964-65. No present capital-gains or central income-tax conclusion is supplied.

01 FACTS OF THE CASE

The assessee had planted teak trees in 1946-47. To clear the area for rubber, the trees were cut and completely removed together with their roots and sold for a lump sum of Rs. 76,500. Of that amount, Rs. 43,250 was received in the previous year relevant to AY 1963-64 and Rs. 33,250 in the following year. The Agricultural Income Tax Officer included the receipts in agricultural income, with expense adjustments, and the appellate authority and Tribunal upheld the assessments. On references under section 60(1), the Kerala High Court also treated the receipts as income while allowing some expenses. The assessee appealed on whether uprooting and disposing of the trees produced a capital or revenue receipt.

Source: [SCR pp. 536-537](#) / [PDF pp. 2-3](#)

02 DISCUSSION BY THE HON'BLE COURT

The Court focused on the source of the receipt. Unlike the earlier Venugopala case, in which trunks were cut while roots and stumps remained capable of regeneration, the teak here was removed with the roots so that no further growth or recurring return could come from those trees. Removing both tree and root disposed of part of the land's productive capital structure. The Court referred to the traditional source-and-return formulation in Shaw Wallace and to the Bombay High Court's explanation that, for tree-sale activity, both land and regenerative roots can form the capital structure. It rejected the High Court's emphasis on the assessee's original profit motive: an accretion or asset does not become taxable income merely because it was acquired hoping for a profitable sale. Complete, one-time removal to replace the crop destroyed the relevant source and made the sale proceeds capital rather than revenue.

Source: [SCR pp. 537-538 / PDF pp. 3-4](#)

03 JUDICIAL DECISION

The Supreme Court answered the first referred question affirmatively for the assessee: receipts from the trees removed with their roots were capital in nature and could not be treated as a revenue receipt. That made the second question about deductible prior-year expenses unnecessary. The Court allowed both appeals, set aside the High Court's judgment and awarded one hearing fee as costs.

Source: [SCR p. 538 / PDF p. 4](#)

04 OUTCOME / IN WHOSE FAVOUR

In favour of the assessee on the capital-versus-revenue issue. Both assessments lost the disputed receipt inclusion through the final appellate result. The Court did not decide the alternative expense-deduction question, calculate revised taxable income or address any separate capital-gains charge.

Source: [SCR p. 538 / PDF p. 4](#)

05 AKHB REVIEW POINT

AKHB analysis: document the biological and commercial facts before applying this archival tree-sale authority-whether roots or stumps remain, whether regeneration is possible or intended, whether the land is being permanently cleared for another crop, and whether the transaction disposes of the income-producing source itself. Do not use profit motive or recurrence alone as a conclusive test. Treat capital-receipt character separately from any distinct capital-gains charge, exemption or current State levy, each of which needs its own statutory review.

Source: [AKHB analysis based on SCR pp. 537-538 / PDF pp. 3-4](#)

SOURCE & VERIFICATION

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

Full 4-page SCR report read; editorial headnote on PDF page 1 distinguished from the judicial opinion on PDF pages 2-4.

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All four source pages were read; exact PDF bytes, SHA-256 hash and page count match catalogue asset 1971_1_535_538.

The printed report verifies Civil Appeal Nos. 2327 and 2328 of 1968, the three-judge bench and the opinion by A. N. Grover J.

The citation year 1971 is the SCR report year; the printed decision date is 5 May 1970 and is retained separately.

The judicial opinion distinguishes V. Venugopala Varma Rajah, where roots/stumps remained capable of regeneration; it does not overrule that decision.

STATUTORY SCOPE

The decision concerns the Kerala Agricultural Income-tax Act, 1950 and the factual character of receipts from teak trees removed with their roots. It does not determine a current central income-tax, capital-gains or agricultural-income exemption question. Current statutes and later treatment require separate verification.

LATER TREATMENT

Source checked 2026-10-10. The existing AKBH note for Commissioner of Income Tax v. Ambat Echukutty Menon records a later Supreme Court discussion of this decision, including differing approaches in the two opinions there. Comprehensive later treatment and present statutory equivalence have not been independently checked here; no current-law or citator clearance is represented.

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