

Union of India v. H. S. Dhillon

Civil Appeal No. 2172 of 1970

[1972] 2 SCR 33 | 1971-10-21

Wealth-tax companion: Parliament could include agricultural land in net wealth under its residuary legislative power; four-to-three decision.

Wealth-tax Act, 1957: sections 2(e), 2(m), 3 and 5 | Finance Act, 1969: section 24 | Constitution of India: Articles 246 and 248; Seventh Schedule, List I entries 86 and 97 and List II entry 49

Seven-judge Bench, four-to-three majority. Sikri C.J. for himself, S.C. Roy and D.G. Palekar JJ.; G.K. Mitter J. separately concurring; J.M. Shelat J. for himself, A.N. Ray and I.D. Dua JJ. dissenting. | S.M. Sikri, C.J. | J.M. Shelat, J. | A.N. Ray, J. | I.D. Dua, J. | S.C. Roy, J. | D.G. Palekar, J. | G.K. Mitter, J.

Majority and dissent must remain distinct

The amendment was upheld four to three. Shelat J.'s contrary conclusion that the appeal should be dismissed is the dissent, not the Court's order.

Net wealth is not a direct tax on land

The majority distinguished this personal tax on net wealth from a State tax on land or buildings as units. Sikri C.J. expressly cautioned that a Central enactment whose true effect invaded List II entry 49 could still be invalid.

01 FACTS OF THE CASE

Section 24 of the Finance Act, 1969 amended the Wealth-tax Act's asset definition so that agricultural land was included for assessment year 1970-71 onward, subject to the Act's exemptions. Dhillon challenged Parliament's competence. A five-judge Punjab and Haryana High Court Bench, by four to one, held the amendment beyond Parliament's power, although it rejected the argument that this net-wealth tax fell within the State field of taxes on lands and buildings. The Union appealed. The issue was whether the agricultural-land exclusion in List I entry 86 also prevented reliance on Parliament's residuary power.

Source: [Judicial opening and statutory background](#)

02 DISCUSSION BY THE HON'BLE COURT

Sikri C.J., for three judges, treated Articles 246 and 248 with entry 97 as allocating to Parliament the legislative field not reserved to the States. Entry 86's agricultural-land exclusion did not itself prohibit a law otherwise authorised by the Constitution. The impugned levy operated on a person's aggregate net wealth after allowable debts, not directly on each parcel of land or building as a unit under List II entry 49. Mitter J. agreed with the result in a separate opinion: net wealth after general liabilities differed from capital value of assets under entry 86, and the Act fell within entry 97 and Article 248. Shelat J., for three dissenters, regarded the Act as an entry 86 tax and its exclusion as a deliberate restriction that residuary power could not undo.

Source: [Majority: net wealth and State land-tax distinction](#); [Dissent: limits of residuary power](#); [Mitter J.'s separate concurrence](#)

03 JUDICIAL DECISION

The four-judge majority upheld the amendment. Sikri C.J.'s opinion found the Act sustainable under entry 97 alone and explained that, even assuming the original Act fell under entry 86, Parliament could combine that power with entry 97. Mitter J. rested on entry 97 and Article 248, finding the net-wealth tax outside both entry 86 and the State land-tax field. Thus inclusion of agricultural land in this net-wealth levy was within Parliament's competence. This does not authorise a Central tax which, in substance, occupies the State's entry 49 field; the lead opinion expressly preserved that limitation.

Source: [Majority validity holding and express State-field caution](#)

04 OUTCOME / IN WHOSE FAVOUR

The Union's appeal was allowed by majority. The High Court judgment and order were set aside and the writ petition was dismissed. There was no order as to costs; Sikri C.J.'s disposition covered both courts. The final Court order confirms that the appeal was allowed in accordance with the majority judgments. No individual tax amount, refund or valuation dispute was determined.

Source: [Final majority order](#)

05 AKHB REVIEW POINT

AKHB analysis: identify the actual taxable subject from the charging provision before comparing legislative entries. Valuing land within aggregate net wealth is not automatically the same tax as taxing land as a unit. Separate the common majority result from its alternative reasoning and from the three-judge dissent. For reliance today, independently check the applicable statute, period and subsequent authorities; this historical competence ruling neither creates a present wealth-tax liability nor decides the Income-tax treatment of agricultural income.

Source: [Charging provision and identification of the taxable subject](#)

SOURCE & VERIFICATION

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

Sikri C.J.'s majority opinion, Shelat J.'s dissent and Mitter J.'s concurrence, followed by the Court's majority order. References use printed SCR pages and physical PDF pages because the opinions are not paragraph-numbered.

[Open cited source rendition](#)

The report's jurisdiction recital gives High Court Civil Writ No. 2673 of 1970, whereas Sikri C.J.'s opening and disposition give Civil Writ No. 2291 of 1970. The Supreme Court appeal number is consistently 2172 of 1970; this note does not resolve the inconsistent High Court numbering.

STATUTORY SCOPE

Historical Wealth-tax Act companion, not an Income-tax assessment or an agricultural-income exemption ruling. The decision addresses legislative competence for the 1969 amendment, not a present tax charge.

LATER TREATMENT

Source checked 2026-10-14. Subsequent judicial treatment and current statutory applicability have not been comprehensively checked; no current-law clearance is claimed.

IDENTIFIED SOURCE LINKS

[reported judgment - PDF pages: 108](#)

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