

Dehra Dun Tea Co. Ltd. & Anr. v. Commissioner of Income Tax, U.P., Lucknow

Civil Appeals Nos. 56-61 of 1970

[1973] 3 SCR 83 | 1972-12-12

Whether the U.P. large-land-holdings tax on tea-garden business assets was deductible under old section 10(2)(xv), subject to Rule 24, and whether the 1972 amendment inserting 1961 section 40(a)(ia) defeated that claim.

40(a)(ia) and its Explanation (express levy-specific applicability ruling)

Two-judge bench | K.S. Hegde, J. | P. Jaganmohan Reddy, J.

Assessment years: See the source-scope notes; no year inferred.

Old-Act appeals and a narrow 1961 wealth-tax ruling

The six deduction appeals are under the 1922 Act; assessment years and tax amounts are unstated. Inclusion here rests on the Court's express rejection of amended 1961 section 40(a)(ia) for this U.P. levy, not a separate 1961 assessment or a non-retrospectivity holding. Rule 24 limits relevant expenditure to 40 percent. Later Sundaram Industries distinguishes profit-based surtax. The 2011 compilation corroborates the 1972 insertion but flags sections 4-5 savings that were not independently reconstructed. Original PDF unchanged; comprehensive later treatment, current law and 2025 mapping remain unverified.

01 FACTS OF THE CASE

Two tea-growing companies paid tax on their tea-garden lands under the U.P. Large Land Holdings Tax Act, 1957. Their activity was treated as business under section 10 of the Indian Income-tax Act, 1922, with only 40 percent of net tea income brought to tax under Rule 24. In six appeals arising from a section 66(1) reference, they challenged the Allahabad High Court's answer denying deduction of the land-holdings tax under section 10(2)(xv). The High Court had followed Travancore Titanium Products (physical pages 1-2/SCR 83 H-84 E).

The Supreme Court's brief report identifies two companies but names only Dehra Dun Tea in the caption. It does not give their assessment years or tax amounts. The reported High Court judgment was dated 1 January 1969 in references Nos.198 and 199 of 1965; those dates do not establish the missing assessment years (physical page 2/SCR 84 A-E).

Source: See the proposition-specific paragraph and PDF-page references below.

02 DISCUSSION BY THE HON'BLE COURT

The Court applied the five-judge Indian Aluminium decision's modification of Travancore Titanium: expenditure incurred by an owner-cum-trader, truly incidental to carrying on the business, is incurred in the trading capacity. The tea lands were business assets, and the U.P. tax on them was therefore expenditure incidental to the companies' business within old section 10(2)(xv). This is the present judgment's account of those precedents, not an independent review of them (physical pages 2-3/SCR 84 F-85 A).

Revenue argued that a tea-grower was taxed only on 40 percent of net income and that the land tax fell on the owner rather than the trader. The Court rejected that distinction because the scheme treated the tea-grower as an owner-cum-trader. It expressly retained the matching limitation: only 40 percent of the expenditure would be allowed in the computation bringing 40 percent of net income to tax (physical page 3/SCR 85 A-D).

Revenue separately relied on section 2 of the Income-tax (Amendment) Act, 1972. The Court reproduced its insertion into 1961 section 40(a) of sub-clause (iia), disallowing sums paid on account of wealth-tax, together with its Explanation. The quoted text uses deemed-always-inserted language. The Explanation identifies Indian wealth-tax and specified foreign asset/capital taxes, and excludes a tax measured by the value of a particular business or professional asset (physical page 3/SCR 85 E-H).

The Court then decided that the quoted provision had no bearing on this claim: the U.P. levy was not wealth-tax, described as a tax on net assets, and was not one of the taxes referred to in the Explanation. This is an express substantive rejection of the newer provision's application to the levy, not merely a statutory comparison. The judgment does not separately analyze the 1972 Act's savings provision, reconstruct its entire old-Act reach, or decide that the insertion lacked retrospective effect (physical page 4/SCR 86 A).

Source: See the proposition-specific paragraph and PDF-page references below.

03 JUDICIAL DECISION

All six assessee appeals were allowed. The High Court's answer was revoked and the referred question answered in favour of the assessees: on these facts, U.P. large-land-holdings tax was an admissible deduction. The Court's preceding Rule 24 analysis limits the taxable computation to the corresponding 40 percent expenditure. The appellants received costs in both the Supreme Court and the High Court, with only one hearing fee (physical pages 3-4/SCR 85 C-D; 86 B-C).

Source: See the proposition-specific paragraph and PDF-page references below.

04 OUTCOME / IN WHOSE FAVOUR

In whose favour: The two assessee companies

All six appeals allowed; High Court answer revoked; affirmative answer for the assessees; costs in both courts, one hearing fee

Final old-Act deduction result with a narrow, independently expressed 1961 section 40(a)(iia) applicability ruling

The Court does not identify assessment years, decide a separate 1961 assessment or a savings-clause issue, allow all taxes as business expenses, or award a 100 percent deduction against the taxable 40 percent of tea income.

Source: See the proposition-specific paragraph and PDF-page references below.

05 AKHB REVIEW POINT

Identify the tax's statutory subject and its connection with the business before invoking an exclusion by label. Here, a levy on identified tea-garden business assets was not treated as wealth-tax on net assets. The newer section 40(a)(iia) argument failed on the levy's nature, while the successful deduction still arose under old section 10(2)(xv) and its Rule 24 apportionment. Keep those two steps separate.

A direct later distinction appears in Sundaram Industries Ltd. v. CIT (Madras High Court, 29 January 1986), paragraphs 4 and 24-28. It treats Dehra Dun as an asset-tax illustration and rejects extending that reasoning to surtax on profits. Paragraphs 31-32 also reject the inference that the express wealth-tax exclusion makes every other tax deductible. This is distinguishing treatment, not overruling. The result cautions against converting Dehra Dun into a blanket business-tax deduction rule.

Historical version check: the government-hosted 2011 compilation reproduces the matching section 40(a)(iia) and Explanation at physical page 297/printed 1.256. Footnote 29 attributes the insertion to the 1972 Amendment Act with retrospective effect from 1 April 1962, subject to its sections 4 and 5. Those savings sections and the original Gazette were not independently read; no separate savings conclusion is supplied. The compilation is used for historical corroboration, not present law.

Source: See the proposition-specific paragraph and PDF-page references below.

PROPOSITION-SPECIFIC SOURCE PARAGRAPHS AND PDF PAGES

1.

Topic: Caption, decision date, bench and six appeals

Source url: [Open cited source](#)

Pdf pages: 1

Paragraphs: SCR 83 A and H

2.

Topic: Actual old-Act reference, two tea companies and business-asset deduction

Source url: [Open cited source](#)

Pdf pages: 2

Paragraphs: SCR 84 A-H

3.

Topic: Owner-cum-trader analysis and 40 percent limitation

Source url: [Open cited source](#)

Pdf pages: 3

Paragraphs: SCR 85 A-D

4.

Topic: 1972 amendment quoted; actual rejection of section 40(a)(iia) applicability

Source url: [Open cited source](#)

Pdf pages: 3; 4

Paragraphs: SCR 85 E-H; 86 A

5.

Topic: Six appeals allowed, affirmative answer and costs in both courts

Source url: [Open cited source](#)

Pdf pages: 4

Paragraphs: SCR 86 B-C

6.

Topic: Later direct distinction between asset-related levy and profit-based surtax

Source url: [Open cited source](#)

Paragraphs: 4, 24-28, 31-34

Source role: later judicial treatment

7.

Topic: Historical section 40(a)(iia) text, 1972 insertion and savings caveat

Source url: [Open cited source](#)

Pdf pages: 297

Paragraphs: Printed 1.256, section 40(a)(iia), complete Explanation and footnote 29

Source role: bounded statutory compilation

ADDITIONAL STATUTORY CONTEXT, NOT SEPARATE HOLDINGS

Actual 1961 scope rests on a judicial applicability holding, not the headnote or an incidental citation: after quoting the 1972 insertion in section 40, the Court rejects the Revenue's proposed disallowance because the levy is neither wealth-tax on net assets nor a tax within its Explanation. The six deduction appeals themselves remain under the 1922 Act. No section 297 or other savings-clause issue is decided.

JUDICIAL AUTHORSHIP AND SEPARATE OPINIONS

K.S. Hegde, J.

ACT IDENTIFIED IN THE REVIEWED SOURCE

Indian Income-tax Act, 1922 deduction/reference proceedings, with an express ruling on the inapplicability of Income-tax Act, 1961 section 40(a)(iia) as inserted by section 2 of the Income-tax (Amendment) Act, 1972

OTHER STATUTORY PROVISIONS AND THEIR SEPARATE SCOPE

Indian Income-tax Act, 1922, sections 10, 10(2)(xv) and 66(1); Income-tax Rules under the 1922 Act, Rule 24; U.P. Large Land Holdings Tax Act, 1957 (U.P. Act XXXI of 1957); Income-tax (Amendment) Act, 1972, section 2; Wealth-tax Act, 1957 (in the quoted statutory definition)

BOUNDED NON-PDF SOURCES AND READING LIMITS

1.

Kind: later judgment primary text reproduction

Title: Sundaram Industries Ltd. v. Commissioner of Income-tax

Court: Madras High Court

Decision date: 1986-01-29

Citation: [1986] 159 ITR 646 (Mad)

Url: [Open cited source](#)

Format: HTML

Read bounds: Complete reproduced judicial body, paragraphs 1-34 (web lines 99-245); primary reliance on paragraphs 4, 24-28 and 31-34. Promotional excerpt/headnote excluded.

Full bounded judicial text read: True

Full document read: True

Bounded read complete: True

Reliance limit: Direct later High Court distinction concerning surtax on profits; no Supreme Court overruling or comprehensive treatment certificate. Third-party text reproduction, not an independently authenticated court original.

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[Hon'ble Supreme Court source PDF \(reported judgment\)](#)

Identified source rendition: 4 PDF pages; SHA-256

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Reporter headnote physical page 1/SCR 83 B-H; six-appeal metadata begins at 83 H and continues physical page 2/SCR 84 A-B. Hegde judicial text starts SCR 84 C and ends physical page 4/SCR 86 C with costs and one hearing fee. No neighbouring judgment or separate opinion.

[Open cited source rendition](#)

full primary text read: True; all primary page images reviewed: True; source integrity verified: True; actual statutory scope verified: True; later treatment comprehensive: not_verified; current law status: not_verified; statutory mapping 2025: not_verified

Decision date and SCR citation verified against the scan. Frozen catalogue label 1972INSC300 is not printed in, or independently authenticated by, this source.

The image caption is Dehra Dun Tea Co. Ltd. & Anr.; frozen catalogue/OCR Debra is an extraction error. The scan, not the catalogue spelling, controls.; The catalogue gives only lead Appeal 56; the primary gives Appeals 56-61 of 1970. Two assessee companies are mentioned but the second company is not named in the judicial text.; The primary does not state the assessment years or tax amounts. They are not inferred from the 1972 decision, 1973 SCR report, 1965 reference numbers or 1969 High Court date.; Physical page 2 prints both counsel groups as for the respondents; the judicial body expressly identifies Mr. Karkhanis as Revenue counsel. No silent repair of the printed counsel roster is made.; The Court quotes the amendment to 1961 section 40(a)(iia) but decides its material applicability by the nature of the levy. It does not decide a separate 1961 assessment, interpret a savings clause, or hold the amendment non-retrospective.; The underlying deduction remains under 1922 section 10(2)(xv), with old Rule 24 allowing only the corresponding 40 percent of expenditure in the taxable tea-business computation. The result is not a full 100 percent deduction from the taxable 40 percent component.; The retained 2011 compilation footnote makes the 1972 insertion retrospective from 1 April 1962 subject to sections 4 and 5. This note does not independently reconstruct those savings provisions or convert the Court's levy-specific rejection into a temporal holding.; Sundaram Industries is a later High Court distinction concerning profit-based surtax, not an overruling. Its complete judicial text was read from a third-party reproduction; no signed court original was acquired.

Not stated in the primary. The six appeals arise from express 1922-Act proceedings; neither the report year nor later amendment supplies the actual assessment years.

Six appeals in the primary; the catalogue lists only lead Appeal 56. Allahabad references Nos.198 and 199 of 1965, High Court judgment dated 1 January 1969.

STATUTORY SCOPE

No Income-tax Act, 2025 crosswalk or present-law certification. The historical provision and levy-specific conclusion cannot be mapped by a section number alone.

LATER TREATMENT

Source checked 2026-10-05. not_verified comprehensively. Bounded title, citation, overruling and distinguishing searches on 5 October 2026 led to the complete Sundaram Industries judicial-text reproduction. Its direct distinction is recorded above. Other search leads and an inaccessible Lubrizol source are not treated as verified authorities. No comprehensive citator, no-adverse-treatment or present-effectiveness conclusion is drawn.

IDENTIFIED SOURCE LINKS

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[Sundaram Industries Ltd. v. Commissioner of Income-tax](#)

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