

THE COMMISSIONER OF INCOME-TAX, WEST BENGAL, II CALCUTTA v. M/S. NAGA HILLS TEA CO. LTD.

Civil Appeal No. 496 of 1970 — Supreme Court appeal or expressly printed appeal group decided in this judgment and connected proceedings (full list below)

[1973] 3 SCR 510 | 1973-02-08

Finance Act 1959 did not permit Revenue to carry an unabsorbed 1957-58 rebate reduction through a 1958-59 loss year and extinguish the 1959-60 rebate.

1922 Act: 66(1)

3-judge bench | K. S. Hegde, J. | P. Jaganmohan Reddy, J. | H. R. Khanna, J.

01 FACTS OF THE CASE

For assessment year 1959-60, Naga Hills Tea was allowed a corporation-tax rebate under the Finance Act, 1959. The officer then reduced it to nil using an unabsorbed rebate reduction from 1957-58. The intervening 1958-59 assessment disclosed a loss, so no corporation tax had been levied and no rebate arose that year. The company said the old reduction could not pass through that gap. The Tribunal and High Court accepted its case in proceedings under section 66(1) of the Indian Income-tax Act, 1922.

Source: [SCR511B-512B](#)

02 DISCUSSION BY THE HON'BLE COURT

The Supreme Court examined Paragraph D of Part II of the First Schedule to the 1959 Finance Act, including the second proviso's reference to amounts calculated under the 1958 Finance Act. The drafting was difficult, but it did not create an indefinite year-to-year carryover power. It allowed an unabsorbed reduction belonging to 1958-59 to affect the 1959-60 rebate; it did not authorise reaching back to earlier years. Agreeing with Deoria Sugar Mills, the Court explained that where 1958-59 had no taxable income attracting the specified super-tax rate, there was no corresponding rebate or rebate reduction under that year's legislation. It added that, in any event, a reasonable competing construction of a taxing provision should be resolved in the assessee's favour.

Source: [SCR512C-514E](#)

03 JUDICIAL DECISION

Revenue could not use the 1957-58 unabsorbed reduction to eliminate the 1959-60 rebate after the intervening loss year. The Court upheld the High Court's interpretation of the particular Finance Act provisions. Its reasonable-two-constructions observation supported that result; it did not create a free-standing entitlement to rebates beyond statutory terms.

Source: [SCR513F-514E](#)

04 OUTCOME / IN WHOSE FAVOUR

The Revenue's appeal was dismissed with costs. The Tribunal's favourable treatment of the 1959-60 rebate remained undisturbed.

Source: [SCR514E](#)

05 AKHB REVIEW POINT

Build a year-by-year chain from the actual charging and rebate provisions. A numerical balance in an old computation is not enough to prove legal authority to carry it forward. This is a historical company super-tax decision, not a modern loss, credit or rebate carryforward rule. Use its interpretive observation only after identifying a real ambiguity in the applicable provision.

Source: [SCR513F-514E](#); [Title and section 1\(3\), physical1/web0-13; section536\(1\),\(2\)\(a\)-\(c\), physical584-585/web24385-24399; subsections\(3\)-\(4\), physical589/web24597-24601. No full-section536 reading claimed.](#)

APPEAL AND PROCEEDING NUMBERS

Civil Appeal No. 496 of 1970 — Supreme Court appeal or expressly printed appeal group decided in this judgment / Income-tax Reference No. 148 of 1966 — Originating High Court appeal/reference docket; not an additional Supreme Court appeal

SOURCE & VERIFICATION

Original reported Supreme Court judgment

5-page retained public-mirror SCR report. The complete report was read as text and page images. The acquisition URL is preserved provenance; current endpoint availability and authentication as a signed original are not newly verified.

Open cited source rendition

The printed jurisdiction line gives High Court order 13 August 1964 but Income-tax Reference 148 of 1966. Both are preserved as a source chronology anomaly.

The issue is unabsorbed reduction of rebate, not a taxpayer's carried-forward tax credit; the distinction is retained.

STATUTORY SCOPE

Finance Act, 1959, in the Indian Income-tax Act, 1922 scheme; 66(1), Finance Act1959: First Schedule, PartII, ParagraphD, second proviso(i)(a), Finance Act1958: corresponding rebate provisions

No direct 1961 provision is mapped to the Finance Act 1959 company super-tax rebate mechanism decided here. A later rebate, loss or credit must derive its own carryover authority from its applicable enactment.

No direct 2025 provision is adopted as a counterpart to the historical 1959 rebate-reduction mechanism. A shared word such as rebate does not establish equivalent scope or carryforward consequences.

The checked section 1(3) generally commences the 2025 Act on 1 April 2026. Section 536 preserves previous operation and accrued rights and keeps specified pre-commencement-year proceedings under the 1961 Act, subject to its savings. None of these comparisons retrospectively replaces the operative law of the judgment.

LATER TREATMENT

Source checked 2026-10-07. No substantive later-use passage has been adopted for this note. This does not assert the absence of later treatment.

Subsequent-history status remains unverified beyond any specific use recorded below.

IDENTIFIED SOURCE LINKS[Income-tax Act, 2025, as amended by Finance Act 2026](#)

Title and section 1(3), physical1/web0-13; section536(1),(2)(a)-(c), physical584-585/web24385-24399; subsections(3)-(4), physical589/web24597-24601. No full-section536 reading claimed. Selected web-extracted statutory passages personally read; no raw-PDF, rendered-page or full-enactment read claimed. The stated version and bounds control this comparison.

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