

COMMISSIONER OF INCOME TAX, WEST BENGAL, CALCUTTA v. M/S. HANTAPARA TEA CO., LTD., CALCUTTA

Civil Appeal No. 79 of 1970 — Supreme Court appeal or expressly printed appeal group decided in this judgment and connected proceedings (full list below)

[1973] 3 SCR 889 | 1973-04-03

Agricultural produce used in the assessee's tea business, and taxed agriculturally at market value, was deductible in the business computation at that market value.

Indian Income-tax Act, 1922

2-judge bench | K. S. Hegde, J. | H. R. Khanna, J.

01 FACTS OF THE CASE

The tea company used thatch, bamboo, fuel and other produce grown on its estate in its tea business. Its accounts debited cultivation costs. Agricultural tax authorities, however, assessed the produce on its market value less cultivation costs as wholly agricultural income. For assessment year 1961-62, the company sought corresponding market-value expenditure in its business-income computation under the Indian Income-tax Act, 1922. The Appellate Assistant Commissioner accepted that position, the Tribunal agreed, and the High Court answered the referred question for the company.

Source: [SCR890B-891B](#)

02 DISCUSSION BY THE HON'BLE COURT

The Supreme Court explained Dooar's Tea, where agricultural produce consumed by its grower could generate agricultural income without an external sale. The taxable benefit there was measured by market value, not merely the expenditure incurred in growing it. Applying that reasoning to the other side of the present computation, the Court held that produce taxed agriculturally at market value represented business expenditure of the same value when consumed in the tea business. Ownership of both activities did not reduce what was devoted to the business to cultivation cost. The Court also recognised that the reference question was awkwardly framed: its latter portion nevertheless covered the real dispute, so neither reframing nor a further statement of case was necessary.

Source: [SCR891C-892A](#)

03 JUDICIAL DECISION

The company was entitled to have the market value of the relevant agricultural produce taken into account as expenditure in computing its tea-business income. The High Court's favourable answer stood. The holding concerns the stated agricultural-tax and business-use relationship; it is not a universal direction to mark every self-produced business input to market.

Source: [SCR891F-892B](#)

04 OUTCOME / IN WHOSE FAVOUR

The Revenue's appeal was dismissed with costs. The direction to modify the assessment using market-value expenditure remained effective.

Source: [SCR892B](#)

05 AKHB REVIEW POINT

Trace the same produce through both computations and document its use and valuation. The practical point is consistency between the agricultural benefit taxed and the value consumed in the business, without counting cultivation costs twice. Establish the governing rules for the relevant year before using this legacy result for a later tea or composite-income computation. Checked later rule 7 and notified 2026 rule 270 expressly provide a market-value deduction without an additional cultivation-cost deduction. Groz Backert Saboo (1978) later cites Hantapara when valuing gifted assets introduced into business stock.

Source: [SCR890B-E,891F-H](#); [Rule7\(1\)-\(2\)](#), full returned operative text, web lines54-62; [Rule270\(1\)-\(3\)](#), web lines12443-12461, reported physical237; separately [rule271\(1\)tableitem4 plus\(2\)-\(4\)](#), lines12462-12487, physical237-238; [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.; All seven physical page texts and original full-size1.5scale images. Identity/dateSCR371, appeal/reference373C-D, Bhagwati I judgment373E-377C; Hantepara named in judicial reasoning375F-H and business-cost application376A-377C.

APPEAL AND PROCEEDING NUMBERS

Civil Appeal No. 79 of 1970 — Supreme Court appeal or expressly printed appeal group decided in this judgment / Income-tax Reference No. 37 of 1965 — Originating High Court appeal/reference docket; not an additional Supreme Court appeal

SOURCE & VERIFICATION

Original reported Supreme Court judgment

4-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

SCR 890 E prints rule 34, while the headnote and SCR 890 B refer to rule 24. The discrepancy is retained rather than harmonised.

The quoted reference at SCR 891 A visibly says 1922; OCR renders 1972. The image controls.

Dooars citation footnote at SCR 890 prints 44 ITR 601 while the text/other references print 44 ITR 6; no new auxiliary citation identity is inferred.

STATUTORY SCOPE

Indian Income-tax Act, 1922; Income-tax Rules: rule24 in historical description/headnote; rule34 printed at SCR890E, Bengal Agricultural Income-tax Rules: rule4(2), discussed through Dooars Tea

Official rule 7(1)-(2), page uploaded 13 December 2025, deducts market value of own agricultural produce used as raw material or included in business sale receipts, and prohibits an additional cultivator-expense deduction. It prescribes the market-value method.

Notified Income-tax Rules 2026, G.S.R. 198(E) of 20 March 2026, rule 270(1)-(3) contains the comparable market-value deduction and no-double-cultivation-deduction rule. Rule 271 separately addresses composite tea income, with 40% taxable business income for its specified tea category. These are later rules, not provisions decided in Hantapara.

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. Groz Backert Saboo, 22 November 1978, expressly identifies Hantapara as following the business-cost principle. It applies market value when gifted capital assets were introduced as stock, rather than treating their cost to the business as nil. This is a historical application on its specific stock-introduction facts, not a universal rule for modern gifted assets.

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

IDENTIFIED SOURCE LINKS

[Income-tax Rules, 1962; Official page upload13December2025](#)

Official page upload13December2025 Rule7(1)-(2), full returned operative text, web lines54-62 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.

[Income-tax Rules, 2026; Notified20March2026,GSR198\(E\),effective1April2026,976 reported PDF pages; not draftNavigator](#)

Notified20March2026,GSR198(E),effective1April2026,976 reported PDF pages; not draftNavigator Rule270(1)-(3), web lines12443-12461, reported physical237; separately rule271(1)tableitem4 plus(2)-(4), lines12462-12487, physical237-238 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.

[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.

[Commissioner of Income Tax, Patiala v. Groz Backert Saboo Ltd. \(1978-11-22\)](#)

All seven physical page texts and original full-size1.5scale images. Identity/dateSCR371, appeal/reference373C-D, Bhagwati J judgment373E-377C; Hantepara named in judicial reasoning375F-H and business-cost application376A-377C. Exact restored SCR PDF personally read in full text and all seven full-size images; source hash unchanged. Original source-index URL retained as provenance, not a newly authenticated endpoint. Text pages read: 1-7. Image pages read: 1-7.

AI DISCLOSURE

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