

Income Tax Officer, Shillong and Anr. etc. v. N. Takim Roy Rymbai etc. etc.

Civil Appeals Nos.579-594 of 1975

[1976] 3 SCR 413 | 1976-02-17

Whether the geographic-source condition in section 10(26)(a), distinguishing income arising within the specified areas from income arising outside them, violates Article 14; the factual source of this respondent's salary was expressly not decided.

10(26)(a) (geographic source condition; constitutional validity actually decided) | 10(26)(b) (separate dividend/interest-on-securities limb reproduced; no individual entitlement decided) | 2(45), 5, 6, 10(1), 80A-80U and 80H (illustrations of income/residence/source differentiation, not separate exemption adjudications)

Two-judge bench | R.S. Sarkaria, J. | S. Murtaza Fazal Ali, J.

Assessment years: 1970-71

Constitutional validity decided; salary source reserved; historical versions and report anomalies

Section 10(26)(a)'s geographic-source condition was upheld, but this respondent's salary-source question remained expressly open. All sixteen departmental appeals were allowed with own costs; no final finding denying his salary exemption or express remand was made. The report varies the respondent's initials/name and gives internally inconsistent lower-court docket years. Its 25 January 1972 adaptation date differs from the later official-hosted compilation's 21 January date. Historical territorial wording and the separate dividend/interest limb must be preserved. Current law, comprehensive later treatment and 2025 mapping are not verified.

01 FACTS OF THE CASE

These sixteen appeals by special leave challenged a common Gauhati High Court judgment on section 10(26)(a) of the Income-tax Act, 1961. The Court set out the circumstances of the respondent in Civil Appeal No.579 of 1975: he belonged to the Jaintia Scheduled Tribe and was a permanent resident of the United Khasi-Jaintia Hills Autonomous District. He had entered Assam Government service in 1941 and, for the previous year relevant to AY 1970–71, was posted at Shillong as Secretary to that Government. His office in the Assam Secretariat stood within the part of Shillong Municipality outside the relevant Sixth Schedule area (physical pages 2–3/SCR 414 H–415 C).

The Officer regarded his salary as arising in a non-scheduled area and assessed it to tax. The respondent disputed that source conclusion and alternatively challenged the validity of making the exemption depend on the source's location. His Article 226 petition attacked the assessment and demand notices for AY 1970–71. The High Court held the source distinction artificial and inconsistent with an exemption intended to benefit Scheduled Tribe residents, struck down sub-clause (a) under Article 14, and quashed the notices and assessments (physical pages 3–4/SCR 415 C–416 A).

Tribal status and specified-area residence were admitted. Whether his salary in fact accrued or arose from a qualifying source was left open by the High Court and remained undetermined in the Supreme Court. Thus the common legal question concerned the validity of the source condition, not a final factual denial of this respondent's salary exemption. The report does not supply separate assessment years or facts for the other fifteen appeals (physical page 6/SCR 418 B–E; physical page 10/SCR 422 E–F).

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

02 DISCUSSION BY THE HON'BLE COURT

The Court traced the exemption from the 1922 provision introduced and amended in the 1950s to section 10(26) of the 1961 Act. It explained that *S.K. Datta v. Lawrence Singh Ingty* had invalidated the exclusion of Government servants and that the 1970 amendment removed that exclusion. This historical discrimination was different from the geographic-source condition now in issue (physical pages 4–5/SCR 416 B–417 B).

The provision as reproduced required Scheduled Tribe status, residence in a specified territory, and income of the qualifying kind. The third requirement contained alternatives: income from a source in the specified territories under sub-clause (a), or dividend/interest-on-securities income under sub-clause (b). The Court's analysis therefore did not erase the statutory dividend/interest limb. The dispute before it was the validity of sub-clause (a), not a claim under sub-clause (b) (physical page 5/SCR 417 C–H).

The High Court and respondent relied on *Lawrence Singh Ingty's* statement that the exemption was given to a class. The Court rejected extracting that statement from its setting. *Ingty* concerned an unjustified distinction within the selected tribal residents between Government employees and others, such as private employees or professionals. The validity of sub-clause (a) had not even indirectly been questioned there. *Ingty* did not establish a blanket exemption for every income of every qualifying tribal resident (physical pages 6–8/SCR 418 F–420 A).

A taxing law remains subject to Article 14. But, within legislative competence, the legislature has substantial room to choose taxable persons, districts, property, goods, incomes and objects. A heavier burden on some members of a category does not alone establish invalidity; an unjustifiable unequal operation within the selected range does. Applying that principle, the Court treated classification by source as integral to the 1961 Act's scheme and illustrated it from residence, agricultural income and other exemptions/deductions. Those illustrations were not independent rulings on claims under those provisions (physical pages 8–9/SCR 420 B–421 E).

The source distinction was intelligible and served the dual aim of benefiting the selected tribal residents and the specified areas economically. The Court also explained that removing it could facilitate sham profit-allocation arrangements and unequal treatment of tribal and non-tribal participants in the same outside business. These were illustrative risks, not findings that this respondent had undertaken such an arrangement. It rejected counsel's Article 46 argument and recognised legislative responsibility for the extent and conditions of protective fiscal policy (physical pages 9–10/SCR 421 E–422 C).

The Court accordingly upheld sub-clause (a). Counsel's further contention that the salary's real source lay within the tribal areas, despite the office's location, was expressly left undecided. No general rule that the work-site alone determines salary source was declared (physical page 10/SCR 422 D–F).

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

03 JUDICIAL DECISION

The Court reversed the High Court's judgment, held section 10(26)(a) constitutionally valid and allowed all sixteen departmental appeals. It expressly left the actual source of the respondent's salary open and undetermined. Each side was to bear its own costs. The final order contains no express remand direction or final adjudication of the disputed source fact (physical page 10/SCR 422 D–F).

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

04 OUTCOME / IN WHOSE FAVOUR

In whose favour: Revenue on constitutional validity; factual salary-source entitlement unresolved

Civil Appeals Nos.579–594 of 1975 allowed; High Court judgment reversed; parties to bear their own costs

Geographic-source condition upheld under Article 14; salary-source fact and consequent individual entitlement expressly undecided

No blanket exemption; no holding that this salary necessarily arose outside the specified area; no work-site-only source test; no independent adjudication under the dividend/interest limb.

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

05 AKHB REVIEW POINT

Keep the validity of an exemption condition separate from whether a taxpayer satisfies it. Establish tribal status and qualifying residence, identify the applicable historical territorial text, and analyse the income-source issue on its evidence. This decision supplies constitutional reasoning for a geographic-source condition; it does not answer the source issue that the Court expressly reserved.

The separately checked official historical versions show why the applicable year matters: territorial language changed while the source and dividend/interest alternatives remained distinct. The 2011 compilation records later territorial amendments and a 21 January 1972 effective date for the 1974 substitution, differing from the judgment's printed 25 January date. These bounded comparisons and the later Badiya citation do not establish today's exemption limits or a complete subsequent-treatment history.

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

PROPOSITION-SPECIFIC SOURCE PARAGRAPHS AND PDF PAGES

1.

Topic: Caption title, date and bench

Source url: [Open cited source](#)

Pdf pages: 1

Paragraphs: SCR 413 heading

Source role: reported metadata

2.

Topic: Full appeal group and inconsistent lower-court docket years; judicial opening

Source url: [Open cited source](#)

Pdf pages: 2

Paragraphs: SCR 414 E–H

Source role: reported metadata and judicial text

3.

Topic: AY 1970–71, salary dispute and High Court result

Source url: [Open cited source](#)

Pdf pages: 3; 4

Paragraphs: SCR 415 A–416 A

Source role: judicial text

4.

Topic: Historical government-service exclusion and statutory alternatives

Source url: [Open cited source](#)

Pdf pages: 4; 5

Paragraphs: SCR 416 B–417 H

Source role: judicial text

5.

Topic: Admitted status/residence; salary-source question remains open

Source url: [Open cited source](#)

Pdf pages: 6

Paragraphs: SCR 418 B–E

Source role: judicial text

6.

Topic: Ingty distinguished and tax-classification standard

Source url: [Open cited source](#)

Pdf pages: 6; 7; 8

Paragraphs: SCR 418 F–420 E

Source role: judicial text

7.

Topic: Statutory illustrations, territorial rationale and Article 46

Source url: [Open cited source](#)

Pdf pages: 8; 9; 10

Paragraphs: SCR 420 E–422 C

Source role: judicial text

8.

Topic: Validity holding, express reservation, appeals and costs

Source url: [Open cited source](#)

Pdf pages: 10

Paragraphs: SCR 422 D–F

Source role: judicial text

9.

Topic: Bounded later citation of general tax-classification principle

Source url: [Open cited source](#)

Pdf pages: 7; 10; 11

Paragraphs: SCR 488 F–H; 491 G–492 B

Source role: later judicial text bounded

10.

Topic: 2011 historical section 10(26) wording and amendment notes

Source url: [Open cited source](#)

Pdf pages: 135

Paragraphs: Printed 1.94: section 10(26); notes 43 and 47–49

Source role: later statutory comparison and editorial amendment notes

JUDICIAL AUTHORSHIP AND SEPARATE OPINIONS

R.S. Sarkaria, J.

ACT IDENTIFIED IN THE REVIEWED SOURCE

Income-tax Act, 1961 (section 10(26)(a), interpretation and constitutional validity); Constitution of India (Articles 14 and 46 and Scheduled Tribe/territorial framework)

OTHER STATUTORY PROVISIONS AND THEIR SEPARATE SCOPE

Constitution of India: Articles 14, 46, 136, 226, 342 and 366(25); Sixth Schedule, paragraph 20 and appended territorial table; Indian Income-tax Act, 1922: section 4(3)(xxi), historical predecessor only; Finance Acts, 1955 and 1958; State of Nagaland (Adaptation of Laws on Union Subjects) Order, 1965; Taxation Laws (Amendment) Act, 1970; North-Eastern Areas (Reorganisation) (Adaptation of Laws on Union Subjects) Order, 1974 (historical explanation)

SPECIFIED LATER JUDICIAL OR STATUTORY CHECKS AND THEIR LIMITS

1.

Kind: direct later judicial treatment

Status: bounded verified

Source urls: https://indian-supreme-court-judgments.s3.amazonaws.com/data/pdf/year=1988/english/S_1988_2_482_495_EN.pdf#page=7; https://indian-supreme-court-judgments.s3.amazonaws.com/data/pdf/year=1988/english/S_1988_2_482_495_EN.pdf#page=10; https://indian-supreme-court-judgments.s3.amazonaws.com/data/pdf/year=1988/english/S_1988_2_482_495_EN.pdf#page=11

Finding: Madhukar Balkrishna Badiya (17 August 1988) expressly cites Rymbai for legislative latitude in tax classification subject to Article 14, in a motor-vehicle-tax case. The passages do not decide the salary-source question or the contemporary reach of section 10(26).

Limit: Seven specified pages checked for identity, surrounding reasoning, the two direct citations and disposition; remaining pages not read. One bounded later use, not a comprehensive treatment review.

2.

Kind: bounded later statutory comparison

Status: bounded verified

Source urls: [https://dor.gov.in/files/acts_files/IT%20Act%20\(English\)_0.pdf#page=135](https://dor.gov.in/files/acts_files/IT%20Act%20(English)_0.pdf#page=135);
<https://www.incometaxindia.gov.in/w/section-10-28>; <https://www.incometaxindia.gov.in/w/section-10-43>;
<https://www.incometaxindia.gov.in/w/section-10-56>

Finding: The separately checked 2011 compilation and official 1977, 1986 and 2016 HTML editions retain the distinction between tribal status, specified residence and qualifying income. Section 10(26)(b) separately covers dividend or interest on securities. The 2011 notes identify the 1970 amendment retrospectively from 1 April 1962 and subsequent territorial changes. The 1974 substitution date is given as 21 January 1972 in the later compilation/1986 note, whereas the judgment prints 25 January 1972.

Limit: Only disclosed provision and amendment-note bounds reviewed. The judgment itself records deletion of the government-service exclusion by the 1970 Act. No complete amendment chain, gazette-date adjudication, current-law validation or 2025 mapping.

DATED OFFICIAL STATUTORY HTML COMPARISONS AND READING LIMITS

1.

Kind: official statutory html

Url: [Open cited source](#)

Title: Income Tax Department section 10, year-labelled 1977

Version label: 1977; page footer As Amended by the Finance (No.2) Act, 1977

Accessed on: 2026-10-05

Read bounds: Version metadata lines 38–58, section 10(26) lines 311–315 and edition footer line 411

Finding: Contains Scheduled Tribe and specified-residence requirements, the geographic source limb and separate dividend/interest limb, without the government-service exclusion. Historical webpage only; no present-law conclusion.

2.

Kind: official statutory html

Url: [Open cited source](#)

Title: Income Tax Department section 10, year-labelled 1986

Version label: 1986

Accessed on: 2026-10-05

Read bounds: Version metadata lines 38–58; section 10(26) lines 373–376; linked amendment note 7 at line 643; adjacent clause 10(26A) and note 10 at lines 378 and 649 only to distinguish it

Finding: The section 10(26) amendment note records the 1970 change with retrospective effect from 1 April 1962 and the 1974 substitution from 21 January 1972. The adjacent 1971 government-service omission belongs to section 10(26A), not section 10(26).

3.

Kind: official statutory html

Url: [Open cited source](#)

Title: Income Tax Department section 10, year-labelled 2016

Version label: 2016

Accessed on: 2026-10-05

Read bounds: Version metadata lines 38–58; section 10(26) lines 782–786

Finding: Retains the status, residence and source/dividend-interest structure, with changed territorial wording including the Ladakh region. This is a 2016 historical version, not certification of today's exemption.

SOURCE & VERIFICATION

Hon'ble Supreme Court source PDF (reported judgment)

Identified source rendition: 10 PDF pages; SHA-256

aef8e5708c675770f0f048acd79567459e5d0ee4ce74931e167adc04799c36bf. Original bytes preserved.

Judicial body begins physical page 2/SCR 414 H (Sarkaria, J.) and ends physical page 10/SCR 422 F with all appeals allowed and own costs. Page 1 and upper page 2 are reporter material and appellate metadata. No adjacent judgment.

Open cited source rendition

Caption uses N. Takim Roy Rymbai; the judicial opening prints R. Takin Roy Rymbai. The caption title is retained and the variant is not silently harmonised.; The appellate caption identifies a High Court judgment of 11 October 1974 but lists some underlying Civil Rule years as 1976 and 1975. The impossible chronology is preserved as a reporter inconsistency; no corrected lower-court docket years are invented. The Supreme Court group is clearly Civil Appeals Nos.579–594 of 1975.; The judgment prints 25 January 1972 for the 1974 territorial adaptation's effective date; the separately checked official-hosted 2011 compilation and official 1986 amendment note give 21 January 1972. No primary Gazette reconciliation was completed.; The headnote's description of office location and the Officer's conclusion must not be read as a Supreme Court finding of salary source. SCR 418 D and 422 E–F expressly reserve that issue.; The government-service exclusion and its invalidation concerned the earlier statutory version. The adjacent section 10(26A) government-service omission in later compilation notes is a different provision.; The sham-partnership discussion is a legislative-policy illustration, not an allegation or finding about the respondent.

AY 1970–71 is expressly stated for the respondent in Civil Appeal No.579 of 1975. The common judgment does not separately specify the years or individual facts for the other fifteen appeals; none are inferred.

STATUTORY SCOPE

No automatic mapping to the Income-tax Act, 2025 and no current-law carryover certification. Verify the applicable statutory version separately.

LATER TREATMENT

Source checked 2026-10-05. not_verified. One bounded later primary check found Badiya using the general Article 14 tax-classification principle, not deciding section 10(26) salary source. Separately bounded statutory comparisons cover official 1977, 1986 and 2016 HTML editions and the 2011 compilation. No complete citation history, full amendment chain, current-law certification or 2025 mapping.

IDENTIFIED SOURCE LINKS

reported judgment - PDF pages: 10

SHA-256: aef8e5708c675770f0f048acd79567459e5d0ee4ce74931e167adc04799c36bf

reported judgment bounded later check - PDF pages: 14

SHA-256: f2de494ae52a9215e1926c76a4dfed7b96eea7b9c68e2434a8165e366a3a85d2

official hosted statutory compilation - PDF pages: 1251

SHA-256: 1ec6e4c38dc1d524d1d40b1fd35d13ac1336c8fc549cef2af1bf723a999c822b

Income Tax Department section 10, year-labelled 1977

[Income Tax Department section 10, year-labelled 1986](#)

[Income Tax Department section 10, year-labelled 2016](#)

AI DISCLOSURE

AI-assisted research checked against the identified source. Extraction, interpretation or omission errors remain possible. Source review does not mean independent approval by a practising professional. Verify every material statement against the complete original judgment.

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