

Delhi Cloth & General Mills Co. Ltd. v. State of U.P. & Ors.

Civil Appeals Nos. 1249 (NT) of 1968 and 1946 (NT) of 1972

[1979] 2 SCR 109 | 1978-10-18

Agricultural Income-tax: a computation option could be changed with a valid fresh or revised return, but desire to change the option did not itself justify revision.

U.P. Agricultural Income-tax Act, 1948: sections 6(1), 6(2)(a)-(b), 15(1)-(4), 15(3-B), 16(4) and 21 | U.P. Agricultural Income-tax Rules, 1949: rule 5 and Form A.I.T.-2; historical rules 6 and 7 | Constitution of India: historical Article 133(1)(a) and (c) certificate provisions

Three-judge bench; judgment delivered by V. D. Tulzapurkar, J. | P. N. Bhagwati, J. | V. D. Tulzapurkar, J. | R. S. Pathak, J.

A valid return is essential

Changing a choice alone does not establish a wrong statement permitting a revised return. The successful return here was a valid fresh return responding to an individual statutory notice.

Best-judgment assessment is separately qualified

Section 16(4) required due regard to the provisional estimate, not compulsory adoption of the rental method in every best-judgment case. The Court recognised appropriate use of either basis, including different bases for different areas.

01 FACTS OF THE CASE

For its Daurala farms and assessment year 1954-55, the company initially selected the produce method under section 6(2)(b), retaining that choice in a revised return. The authority nevertheless issued an individual section 15(3) notice with a rental-method provisional estimate. In November 1958 the company filed a further return choosing section 6(2)(a). The authorities refused the change. A Single Judge upheld it, but the Division Bench reversed. The question was whether a computation option could be changed during the same year's assessment proceedings.

Source: [SCR111D-115D / PDFpp.3-7](#)

02 DISCUSSION BY THE HON'BLE COURT

The original restriction requiring Board permission to change an option had been deleted, as had the word 'first' in rule 5. The declaration requirement therefore accompanied any valid return contemplated by section 15, including a valid later return. Notice-based returns had to be timely or within an extension; revision required discovery of a wrong statement and filing before assessment was complete. Merely preferring a different option did not supply that statutory ground. Thus the return's legal validity, not the fact that an earlier option existed, was decisive.

Source: [SCR117B-121H / PDFpp.9-13](#)

03 JUDICIAL DECISION

The November 1958 return was a fresh response to the section 15(3) notice, not a section 15(4) revision. Its forwarding letter identified the notice, and the authority had rejected it for the option change rather than lateness. Producing evidence and inspecting records did not waive the right. The changed rental-method option was valid. Separately, section 16(4) best-judgment assessments required due regard to the provisional estimate notwithstanding any option; this permitted an appropriate basis or mixed bases, not an invariable rental-method mandate.

Source: [SCR121D-125C / PDFpp.13-17](#)

04 OUTCOME / IN WHOSE FAVOUR

Both appeals were allowed. The Division Bench order of 27 September 1965 was set aside and the Single Judge's order of 13 October 1961 restored. As explained in the judgment, the rental-method assessment of 19 December 1962 consequently revived and the later contrary assessment became ineffective; the Court recorded that the earlier tax had been paid. The assessee received costs in Civil Appeal 1946 (NT)/1972; parties bore their own costs in Civil Appeal 1249 (NT)/1968.

Source: [SCR115A-D and 125B-D / PDFpp.7,17](#)

05 AKHB REVIEW POINT

AKHB analysis: separate the right to choose a computation method from the procedural right to file the return carrying that choice. Retain notices, extensions, forwarding letters and declarations, and document an actual wrong statement where revision is invoked. In a best-judgment case, test whether the mandatory provisional estimate received due regard without assuming it dictated the whole result. This is a historical state-tax ruling, not permission to switch current central tax regimes outside their statutory conditions.

Source: [AKHB analysis based on SCR120G-125C / PDFpp.12-17](#)

SOURCE & VERIFICATION

Supreme Court Reports scan - public eSCR mirror

Complete 17-page SCR report read. Reporter headnote spans PDFpp.1-2 and the upper part of p.3; judicial text begins at SCR111D / PDFp.3 and ends at SCR125D / PDFp.17. No numbered judicial paragraphs; SCR page and column pinpoints are used.

Open cited source rendition

All 17 source pages were read; PDFpp.1,3,13,16,17 were visually checked. Date, docket pair, bench and exact source hash were verified.

The printed SCR121G-H sentence says 'does get' after stating that selection of a wrong option is not a wrong statement. The preceding sentence, SCR116D-E and SCR121A-C/F-G require a genuinely valid revised return; the note states that qualification without altering the preserved original.

The existing Delhi Cloth v. Workmen note of 3 September 1971 is a different bonus/direct-tax judgment, not a duplicate. No matching published or archived identity/hash was found.

STATUTORY SCOPE

The ruling interprets the amended historical U.P. Agricultural Income-tax Act and rule 5, after removal of restrictions on the original option. It is not a rule for switching present central Income-tax regimes or filing a revised central return.

LATER TREATMENT

Source checked 2026-10-14. Historical agricultural Income-tax decision. No comprehensive subsequent-treatment, review, stay or present-law verification was performed.

IDENTIFIED SOURCE LINKS

[reported judgment - PDF pages: 17](#)

SHA-256: a134361c7893f1009695cb6910e4f5738fa4b8486f904ca336c45370618bc94a

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