

State of U.P. & Anr. v. Raza Buland Sugar Co. Ltd., Rampur

Civil Appeal No. 2281 of 1969

[1979] 3 SCR 419 | 1979-02-27

Agricultural Income-tax: direct assessment of partner-companies on their returns did not require prior assessment of the firm.

United Provinces Agricultural Income-tax Act, 1948: sections 2, 16(4) and 18 | Indian Partnership Act, 1932: section 4 (definition of firm) | Indian Income-tax Act, 1922: section 2(5A) and comparative firm-assessment authority

Three-judge bench; judgment delivered by P. S. Kailasam, J. | R. S. Sarkaria, J. | P. S. Kailasam, J. | O. Chinnappa Reddy, J.

No automatic current-law firm/partner rule

The decision rests on the historical state Act, returns filed by the two partner-companies and the absence of assessment of the firm. Modern central provisions require separate verification.

Double-taxation qualification

The Court's protection against taxing the same income in both firm and partner hands was expressly subject to any special statutory provision permitting double taxation.

01 FACTS OF THE CASE

The Raza and Buland sugar companies formed an equal-share agricultural partnership using land leased by the former Rampur State. After the U.P. Agricultural Income-tax Act was extended to the area, each company filed returns of its half-share of the firm's income. An earlier remand concerned whether the land satisfied the statutory land-revenue or local-rate condition. During fresh proceedings, the companies newly objected that the firm had not received notice or been assessed. The High Court accepted that objection; the State appealed.

Source: [SCR420F-423A / PDFpp.2-5](#)

02 DISCUSSION BY THE HON'BLE COURT

The Act's definition of person included individuals, firms and companies. Section 18 permitted a shift from assessment of a firm or company to its members in the stated circumstances; it did not prohibit direct assessment on returns already filed by the partners. Here no assessment had been made on the firm. Drawing support from Murlidhar Jhawar, the Court stressed that the same income should not be taxed again in firm and partner hands, subject to a special statutory provision allowing it. The registered/unregistered firm distinction under the central Act did not exist in this state Act.

Source: [SCR423B-425D / PDFpp.5-7](#)

03 JUDICIAL DECISION

The assessment of the two companies on their own returns was valid without first proceeding against the firm. The new firm-assessment objection could not be introduced after the earlier limited remand; for the two additional Fasli years, the companies had likewise returned their respective income. The Court also upheld the factual finding that the leases, read with the original agreements, required land revenue. It declined another remand given the long pendency and the unchallenged assessment finding on that issue.

Source: [SCR425E-426H / PDFpp.7-8](#)

04 OUTCOME / IN WHOSE FAVOUR

The State's appeal was allowed. The High Court's judgment and order were set aside and the Assessing Authority's order was restored. This was substantive success for the Revenue, not a remand for reconsideration. The short operative order contains no separate costs direction.

Source: [SCR426H-427A / PDFpp.8-9](#)

05 AKHB REVIEW POINT

AKHB analysis: identify the person assessed, the return filed, the income actually brought to tax and whether the firm has already been assessed. Read an allocation or assessment machinery provision in its statutory setting rather than assuming it is an exclusive charging route. Preserve objections at the proper procedural stage and establish the land-revenue condition from the governing agreements. Do not apply this historical approach to present partnership taxation without checking the current enactment and later treatment.

Source: [AKHB analysis based on SCR424E-427A / PDFpp.6-9](#)

SOURCE & VERIFICATION

Supreme Court Reports scan - public eSCR mirror

Complete 9-page SCR report read. Reporter headnote spans PDFp.1 and the upper part of p.2; judicial text begins at SCR420F / PDFp.2 and ends at SCR427A / PDFp.9. No numbered judicial paragraphs; SCR page and column pinpoints are used.

Open cited source rendition

All 9 source pages were read; PDFpp.1,2,6,9 were visually checked. Source date, title, bench, docket and SHA-256 match the frozen source record.

STATUTORY SCOPE

This ruling concerns the historical U.P. Agricultural Income-tax Act and its definitions and firm-assessment machinery. It is not a statement of the present central Income-tax treatment of firms and partners.

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: 9

SHA-256: 4b74166d5044f965efb3c0452e43c2c6bdd31ce4aa9bf201931f9e088122c9a4

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