

Ukhara Estate Zamindaries (Pvt.) Ltd. v. Commissioner of Income-Tax, West Bengal, Calcutta

Civil Appeal No. 13 of 1973 / Civil Appeal No. 14 of 1973 / Civil Appeal No. 15 of 1973

[1980] 1 SCR 711 | 1979-09-19

The company managed the family estate as a landholder rather than trading in leasehold rights. Its salami, premia and compensation for compulsorily acquired portions were capital receipts on the facts, not business income. The Supreme Court restored the Tribunal's conclusion and allowed all three appeals.

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

Estate management on the recorded facts

The estate was a capital holding on these facts. Capital character alone does not establish exemption under later capital-gains law, and a corporate objects clause alone does not decide the issue.

Operative context: Legacy income-tax assessment: AY 1953-54 to 1955-56; no operative numbered provision specified in the opinion.

01 FACTS OF THE CASE

The company was incorporated in 1920 to take over and manage the Ukhara family estate. It acquired a 999-year lease and associated movable assets in exchange for fully paid shares worth Rs. 4,08,000, with nominal annual quit rent of Rs. 100. Its memorandum also authorised wider property dealing.

The estate included coal-bearing lands. Over time, the company granted long sub-leases to colliery companies and received salami and premia; it also received compensation when parts were compulsorily acquired. The disputed aggregate receipts were Rs. 22,197, Rs. 1,88,417 and Rs. 73,327 for AYs 1953-54, 1954-55 and 1955-56 respectively. The Tribunal treated them as capital. The Calcutta High Court instead classified the company as a trader in leasehold rights.

Source: [SCR 713 B-715 B](#)

02 DISCUSSION BY THE HON'BLE COURT

The Court applied the distinction in Karanpura Development between enjoying property as an owner and exploiting it as a trading asset. The substance and purpose of the transactions mattered. A company may conduct business in property, but its corporate form does not make every dealing a trade.

The High Court gave excessive weight to the memorandum's power to trade, substantial dividends and a reserve fund. Investment companies can also distribute profits and maintain reserves. Those features did not substitute for examining how this company actually dealt with its estate.

The evidence supported management of a settled capital holding. The acquisition included family securities and jewellery, consistent with preservation of family assets. The company had acquired no other estate since incorporation. It granted no sub-lease for its first eleven years and later disposed of particular parcels for periods exceeding 900 years, effectively dealing with each parcel once. Although authorised to do so, it operated no colliery and conducted no mining or coal-dealing business.

The Court therefore regarded the salami and premia as capital receipts. Compensation for compulsory acquisition replaced the capital asset lost. Its reasoning rested on this estate's capital character; it did not announce that every involuntary disposal or long lease is outside taxation.

Source: [SCR 717 B-722 E](#)

03 JUDICIAL DECISION

The Supreme Court held the Tribunal's exclusion of the identified receipts correct and rejected their treatment as the company's business income. It allowed the three appeals, with Revenue paying the appeal costs.

Source: [SCR 722 C-F](#)

04 OUTCOME / IN WHOSE FAVOUR

Three appeals allowed; Tribunal's capital-receipt conclusion upheld. Result: Assessee. Costs: Revenue to pay the assessee's costs of the appeals. Scope: Capital versus business character of the identified receipts decided. Limit: The estate was a capital holding on these facts. Capital character alone does not establish exemption under later capital-gains law, and a corporate objects clause alone does not decide the issue.

Source: [SCR 722 C-F](#)

05 AKHB REVIEW POINT

Examine acquisition purpose and the full history of actual dealings: additional acquisitions, development, frequency, lease duration and operational activity. Use corporate objects as evidence alongside conduct, not as a substitute for it. After classifying the receipt, analyse the applicable charging provisions separately.

Source: [SCR 719 E-722 C](#)

SOURCE & VERIFICATION

Original reported Supreme Court judgment

12-page retained public-mirror SCR report. The complete report was read as text and page images. Fresh remote authentication as a signed original is not claimed.

Open cited source rendition

The printed headnote labels the 1961 Act, but the opinion concerns AYs 1953–54 to 1955–56 and does not identify a directly applied 1961 provision. The section 9 passage is quoted from Karanpura, not a separate property-income ruling in this appeal. The judgment date is 19 September 1979; the SCR report year is 1980.

STATUTORY SCOPE

Legacy income-tax assessment: AY 1953–54 to 1955–56; no operative numbered provision specified in the opinion.

Current statutory equivalence and Income-tax Act, 2025 applicability have not been verified. No automatic carry-over of this precedent is claimed.

LATER TREATMENT

Source checked 2026-10-06. CIT v. Presidency Co-operative Housing Society Ltd., [1995] 216 ITR 321 (Bom), decided 22 February 1993, paragraph 11, declined to apply Ukhara and other capital-receipt authorities because their facts were materially different. The society there received contractual payments on member transfers without parting with its own capital rights. This is a specific factual distinction, not an update on all housing-society tax law.

Verified the specific factual distinction in Presidency Co-operative Housing Society, paragraph 11; comprehensive subsequent history remains unverified.

Presidency judicial text paragraphs 1–11, web lines 52–86; no full later-history review.

IDENTIFIED SOURCE LINKS

CIT v. Presidency Co-operative Housing Society Ltd. (1993-02-22)

Judicial paragraphs 1–11, web lines 52–86, especially 5–11. Nonofficial host; no raw PDF or images read.

AI DISCLOSURE

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