

Commissioner of Agricultural Income-tax, Trivandrum v. Kerala Estate Mooriad Chalapuram

Civil Appeal No. 1396 of 1974

[1986] 3 SCR 161 | 1986-07-15

Kerala agricultural income tax: waiver of interest previously deducted under section 5 was not agricultural income where the State Act contained no statutory recovery provision comparable to section 41(1).

Kerala Agricultural Income-tax Act, 1950: sections 3, 4, 5 and 60(2) | Indian Income-tax Act, 1922: section 10(2A), discussed only by comparison | Income-tax Act, 1961: section 41(1), discussed only by comparison

2-judge bench | R.S. Pathak, J. | Sabyasachi Mukharji, J.

Assessment years: 1963-64, 1964-65

State agricultural-tax holding; central provision comparative only

The result depends on the absence of a section 41-type provision in the Kerala Agricultural Income-tax Act considered by the Court. It must not be used to override section 41(1) or another applicable statutory recovery provision.

01 FACTS OF THE CASE

Kerala Estate Mooriad Chalapuram described seven tenants-in-common who owned an agricultural estate and followed the mercantile system. For assessment year 1963-64, they deducted Rs. 33,747.09 as interest payable on a Rs. 4 lakh loan from Associated Planters Ltd.; the deduction was allowed under section 5 of the Kerala Agricultural Income-tax Act, 1950. During the accounting period relevant to assessment year 1964-65, the creditor waived that interest and the assessee credited the amount to revenue account. The assessing authority taxed the credit. The Agricultural Income-tax Tribunal, by majority, held that it was not agricultural income, and the Kerala High Court answered Revenue's section 60(2) reference in the assessee's favour.

Source: [SCR p. 163](#) / [PDF p. 3](#)

02 DISCUSSION BY THE HON'BLE COURT

Sections 3-5 of the Kerala Act charged agricultural income and allowed specified deductions, including interest. The interest deduction in the earlier year was undisputed. The question was whether its later waiver itself met the description of agricultural income. Approving the High Court's distinction between refund and remission, the Supreme Court held that a remission does not become agricultural income merely because the liability had earlier supported a permissible deduction. The waived sum did not arise from the assessee's agricultural operations or activities. The Court then contrasted the State Act with section 10(2A) of the Indian Income-tax Act, 1922, which had created a statutory fiction taxing such receipts as business profits, and with its wider successor in section 41(1) of the Income-tax Act, 1961. No comparable provision existed in the Kerala Agricultural Income-tax Act.

Source: [SCR pp. 164-165 / PDF pp. 4-5](#)

03 JUDICIAL DECISION

The Supreme Court affirmed that the Rs. 33,747.09 interest remission was not agricultural income under the Kerala Act. It dismissed Revenue's appeal with costs.

Source: [SCR pp. 164-165 / PDF pp. 4-5](#)

04 OUTCOME / IN WHOSE FAVOUR

In favour of the assessee. The remission was not brought to agricultural income tax for assessment year 1964-65, and Revenue's appeal failed with costs. The decision does not exempt remission income where an applicable statute expressly taxes it through a recovery fiction.

Source: [SCR p. 165 / PDF p. 5](#)

05 AKHB REVIEW POINT

AKHB analysis: do not decide remission taxability from accounting credit or prior deduction alone. First identify the legal source and character of the remitted amount; then identify the exact statutory recovery or deeming provision applicable to the year. This case denied State agricultural-income taxation because the remitted interest was not produced by agricultural operations and the Kerala Act then contained no counterpart to the central recovery fiction. Its comparison to section 41(1) underscores, rather than displaces, the need to test a central business remission under that separate provision.

Source: [AKHB analysis based on SCR pp. 164-165 / PDF pp. 4-5](#)

SOURCE & VERIFICATION

Supreme Court Reports scan - public eSCR mirror

Full 5-page SCR report read; editorial headnote on PDF pages 1-2 distinguished from the judicial opinion beginning near the foot of PDF page 2 and continuing through PDF page 5.

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The exact downloaded source bytes match catalogue asset 1986_3_161_165: SHA-256 60e3bdb7c0ba0678f622ec00c86e4446436838bcac6356da2a518efb41178ff0 and 5 PDF pages.

The SCR report verifies the title, 15 July 1986 date, Civil Appeal No. 1396 of 1974 and the two-member bench; Pathak J. delivered the opinion.

The editorial headnote was distinguished from the judicial opinion, and all five source pages were read.

STATUTORY SCOPE

The operative law is the historical Kerala Agricultural Income-tax Act, 1950. Section 10(2A) of the 1922 central Act and section 41(1) of the Income-tax Act, 1961 were used only as statutory comparisons; section 41(1) was not applied to tax the remission.

LATER TREATMENT

Source checked 2026-10-10. Later amendments to State or central legislation, subsequent judicial treatment and present applicability have not been comprehensively checked. No current-law clearance is asserted.

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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