

Tata Tea Ltd. & Anr. etc. v. State of West Bengal & Ors. etc.

Writ Petitions Nos. 5409-5410 and 5411-5412 of 1980; 358 and 12807-12808 of 1984
[1988] 3 SCR 961 | 1988-05-05

State agricultural-income-tax power over composite income from tea grown and manufactured by the seller; constitutional incorporation of the income-tax allocation rules.

Constitution of India: Articles 32, 246 and 366(1); Seventh Schedule, List I Entry 82 and List II Entry 46 | Income-tax Act, 1961: sections 2(1), 295(2)(b) and 296; Income-tax Rules, 1962: rule 8 (historical text) | Indian Income-tax Act, 1922: sections 2(1) and 59; Income-tax Rules, 1922: rule 24 | Bengal Agricultural Income-tax Act, 1944 and its 1979/1980 amendments; Kerala Agricultural Income-tax Act, 1950, section 2(a)(2), and Kerala Act 17 of 1980

Two-judge bench; judgment delivered by M. H. Kania, J. | R. S. Pathak, C.J.I. | M. H. Kania, J.

Declaratory relief; no strike-down

The Court held that the amendments could not enlarge State taxing power beyond the agricultural component. It did not strike them down, and it left other validity grounds, including the retrospective-operation challenge, undecided.

Composite tea income and historical law

The decision addresses tea grown and manufactured by the seller. Do not extend its allocation to different activities or treat this source review as current-law clearance.

01 FACTS OF THE CASE

Tea companies growing, manufacturing and selling tea in West Bengal and Kerala brought consolidated Article 32 petitions. They challenged the 1980 West Bengal amendments deleting provisions tied to the central computation of tea income, and Kerala's deletion of the explanation to section 2(a)(2) of its Agricultural Income-tax Act. The States sought to treat the entire income from tea grown and manufactured by the seller as agricultural income. The petitioners argued that the constitutional division of taxing power and the central income-tax rules confined the agricultural component to 60% of the composite income computed under those rules.

Source: [Primary judgment: petitions, amendments and competing submissions / PDF pp. 5-10](#)

02 DISCUSSION BY THE HON'BLE COURT

Article 366(1) refers to agricultural income as defined for the purposes of income-tax enactments. That wording brings in the rules bound up with the statutory definition: rule 24 under the 1922 Act and rule 8 under the 1961 Act. Rule 8 computes income from tea grown and manufactured by the seller as business income, with the relevant allowances, and treats 40% as income liable to central income tax. The remaining 60% is the agricultural component, subject to further deductions allowed by the State law. Following *Karimtharuvi Tea Estates and Anglo-American Direct Tea Trading*, the Court held that removing an explanatory State provision could not enlarge the constitutional taxing field. D.S. Bist concerned whether processed tea leaves remained agricultural produce for sales tax; it did not decide this income-tax allocation. Rule 8 was within the express rule-making power in section 295(2)(b), and the different parliamentary procedure under section 296 did not displace its role in defining agricultural income.

Source: [Primary judgment: constitutional definition and composite-income computation / PDF pp. 18-24](#);
[Primary judgment: Bist distinguished and rule-making power upheld / PDF pp. 24-27](#)

03 JUDICIAL DECISION

Despite the amendments, the States could impose agricultural income tax only on the 60% agricultural component of the income from tea grown and manufactured by the seller, computed under the relevant central income-tax legislation and rules. The amendments did not directly conflict with the constitutional definition and did not need to be struck down, but they conferred no wider taxing power. The Court did not decide the other invalidity grounds or the separate objection to retrospective operation.

Source: [Primary judgment: State power and limits of the ruling / PDF pp. 27-28](#)

04 OUTCOME / IN WHOSE FAVOUR

The petitions were disposed of with a declaration limiting State taxing power as explained in the judgment. Although none of the prayers was granted in terms, the Court expressly stated that the petitioners substantially succeeded. Each side was directed to bear its own costs.

Source: [Primary judgment: operative declaration and costs / PDF p. 28](#)

05 AKHB REVIEW POINT

AKHB analysis: identify the precise income-producing activity and the computation required by the incorporated central rule before applying the constitutional allocation. A State amendment removing explanatory wording cannot, by that step alone, expand the State's taxing field. Keep the ruling's form of relief equally precise: substantial success by declaration does not mean the amendment was struck down or that the Court resolved every ground raised against it. Any present application needs a separate check of the governing statutory version and later treatment.

Source: [Primary judgment underlying AKHB analysis / PDF pp. 18-28](#)

SOURCE & VERIFICATION

[Supreme Court Reports scan - public eSCR mirror](#)

Complete 28-page SCR report read. Reporter headnote occupies physical pages 1-5/SCR 961-965; the judicial text begins on physical page 5/SCR 965 and ends on physical page 28/SCR 988. No adjacent judgment is included.

Open cited source rendition

Exact catalogue SHA-256 and 28-page count verified; all pages were read, with physical pages 1, 5 and 28 visually inspected for identity, judicial boundary and relief.

No published or archived judgment identity or whole-file hash match was found. The later Tata Tea dividend-distribution-tax, Willamson Financial Services and Belgachi Tea decisions are separate decisions, not duplicates.

No assessment year is supplied: the consolidated petitions challenged legislative changes and the scope of State taxing power, rather than determining one assessment year.

STATUTORY SCOPE

The 60:40 allocation concerns income from tea grown and manufactured by the seller, computed under the relevant central income-tax law. It is not a universal allocation for every tea transaction. Historical section numbering is retained from the judgment.

LATER TREATMENT

Source checked 2026-10-14. This note records the historical decision of 5 May 1988. No comprehensive later-treatment or present-law review was performed, and the provisions, State legislation, allocation rules and their present application require independent verification.

IDENTIFIED SOURCE LINKS

[reported judgment - PDF pages: 28](#)

SHA-256: 9c450e02750aaa8ad8573f101a0bc0f714629b279fa708fbac404c1416e76f56

[Related note: The Karimtharuvi Tea Estates Ltd., Kottayam and Another v. State of Kerala and Others](#)

[Related note: Commissioner of Income Tax v. Willamson Financial Services and Ors.](#)

[Related note: Union of India and Another v. Belgachi Tea Co. Ltd. and Others](#)

[Related note: Union of India & Ors. v. M/s. Tata Tea Co. Ltd. & Anr.](#)

AI DISCLOSURE

This AKBH research note was prepared with AI assistance from the identified primary report and has not been represented as independently human-reviewed.

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