

Associated Cement Company Ltd. v. Commissioner of Income-Tax, Bihar, Patna and Anr.

Civil Appeal No. 2860 (NT) of 1979

[1993] 2 SCR 538 | 1993-03-23

Whether the historical section 194C(1) applied to a cement-loading labour contract, and whether the two-per-cent deduction was confined to the contractor's profit component or excluded contractual wage reimbursements.

194C(1) (historical two-per-cent deduction on covered contractor payments)

Two-judge bench | B.P. Jeevan Reddy, J. | N. Venkatachala, J.

Assessment years: 1973-74, 1974-75, 1975-76, 1976-77, 1977-78

Loading-contract TDS; later transport limitation checked

Revenue won on the historical loading/labour contract and its wage reimbursements; this was a challenge to notices, not a final penalty or conviction. The headnote misstates short deduction as no deduction, and the notice-section recital conflicts with the later report. Birla Cement Works (2001) expressly says ACC did not decide carriage contracts and rejects that pre-1 July 1995 extension. Comprehensive later treatment and current rates, scope and 2025 mapping remain unverified.

01 FACTS OF THE CASE

By a letter dated 5 November 1973, the company engaged S.P. Nag to load packed cement bags from two packing plants into wagons or trucks. Clause 12 set rates of 41 paise and 30 paise per tonne respectively. Clause 13 provided reimbursement of specified dearness-allowance increases, annual increments and related worker payments. The company paid both components. The judicial narrative says its deductions fell short of what section 194C(1) required; the editorial headnote instead says no deductions were made (physical pages 1, 3–4).

The Income Tax Officer served show-cause notices dated 30 March and 8 May 1978 for the stated assessment-year ranges. The company sought to quash them by a writ petition. The Patna High Court dismissed Civil Writ Jurisdiction Case No. 2909 of 1978 on 8 March 1979. In the special-leave appeal, the company contended that section 194C(1) was confined to works contracts producing tangible property and that deduction could be made only from the income element of payments (physical pages 3–5).

Source: See the proposition-specific paragraph and PDF-page references below.

02 DISCUSSION BY THE HON'BLE COURT

Reading the quoted subsection, the Court held that the words any work were not confined to a works contract in its special tax-law sense. The express inclusion of labour supply reinforced that conclusion. The specified organisation's payment or credit pursuant to the covered contract attracted the historical two-per-cent deduction at the earlier of credit or payment (physical pages 5–7).

The phrase on income comprised therein did not require the payer to determine the contractor's actual profit embedded in the sum. Such a requirement would be impractical and was not supported by the language. The deduction base was the sum paid or credited under the covered contract, including the clause 13 wage reimbursement. Brij Bhushan Lal Parduman Kumar concerned estimating a contractor's income after excluding department-supplied materials; it did not determine the statutory withholding base and did not assist the company (physical pages 7–9).

Source: See the proposition-specific paragraph and PDF-page references below.

03 JUDICIAL DECISION

The Court answered the question before it in Revenue's favour and dismissed the company's appeal. The attempt to quash the show-cause notices failed. The company was directed to pay Revenue's costs, with advocate's fee fixed at Rs 3,000. The order did not itself fix a short-deduction demand or convict the company or its officer (physical page 9).

Source: See the proposition-specific paragraph and PDF-page references below.

04 OUTCOME / IN WHOSE FAVOUR

In whose favour: Revenue

Appeal dismissed with Revenue's costs; advocate's fee Rs 3,000

Final construction of the historical withholding provision for this loading/labour contract; show-cause notices not quashed

No quantified final default, penalty or criminal liability determined; no ruling that every service, sale or transport arrangement falls under section 194C.

Source: See the proposition-specific paragraph and PDF-page references below.

05 AKHB REVIEW POINT

Keep the recipient's eventual taxable profit separate from the payer's statutory withholding base. The reimbursement was an agreed part of this contractor arrangement, and the payer could not substitute its estimate of the contractor's profit for the statutory base. The note does not establish a rule for every reimbursement under every later withholding provision.

The subsequently checked three-judge decision in Birla Cement Works (28 February 2001) expressly held that ACC had not decided carriage-of-goods contracts. It rejected the CBDT's extension of ACC to those contracts before 1 July 1995, treated the inserted Explanation III as non-retrospective for that purpose and quashed the circular only as to transport contracts. Read ACC's broad language in its loading/labour setting; do not label it overruled by Birla (later source physical pages 5–7 and 9).

The two-per-cent rate and quoted provision belong to the historical dispute. This single later judgment check does not verify subsequent amendments, current thresholds/rates, every service category or present-law/2025 mapping.

Source: See the proposition-specific paragraph and PDF-page references below.

PROPOSITION-SPECIFIC SOURCE PARAGRAPHS AND PDF PAGES

1.

Topic: Identity, author and appeal

Source url: [Open cited source](#)

Pdf pages: 1; 3

Paragraphs: Unnumbered judicial text

Source role: reported metadata and judicial text

2.

Topic: Contract, short deduction, notices and years

Source url: [Open cited source](#)

Pdf pages: 3; 4

Paragraphs: Unnumbered judicial text

Source role: judicial text

3.

Topic: Historical subsection and credit/payment timing

Source url: [Open cited source](#)

Pdf pages: 5; 6; 7

Paragraphs: Unnumbered judicial text

Source role: judicial text

4.

Topic: Any-work construction and profit-component distinction

Source url: [Open cited source](#)

Pdf pages: 7; 8

Paragraphs: Unnumbered judicial text

Source role: judicial text

5.

Topic: Reimbursement and exact disposition

Source url: [Open cited source](#)

Pdf pages: 8; 9

Paragraphs: Unnumbered judicial text

Source role: judicial text

6.

Topic: Checked later identity and scope

Source url: [Open cited source](#)

Pdf pages: 1; 3; 5

Paragraphs: Unnumbered judicial text

Source role: later judgment metadata and judicial text

7.

Topic: Birla explanation of ACC and rejected transport extension

Source url: [Open cited source](#)

Pdf pages: 5; 6; 7

Paragraphs: Unnumbered judicial text

Source role: later judgment direct treatment

8.

Topic: Prospective historical transport inclusion and operative relief

Source url: [Open cited source](#)

Pdf pages: 7; 8; 9

Paragraphs: Unnumbered judicial text

Source role: later judgment direct treatment

JUDICIAL AUTHORSHIP AND SEPARATE OPINIONS

N. Venkatachala, J.

OTHER STATUTORY CONTEXT

Articles 226 and 227, Constitution of India (writ challenge); The primary narrative prints sections 276B(1), 281 and 221 as notice provisions; Birla Cement Works later recounts 276B(1), 201 and 221. These are procedural background, not independently decided provisions.

ACT IDENTIFIED IN THE REVIEWED SOURCE

Income-tax Act, 1961

SPECIFIED LATER DECISION AND LIMITS OF THE CHECK

1.

Status: single later authority verified

Case: M/s. Birla Cement Works v. The Central Board of Direct Taxes and Ors.

Decision date: 2001-02-28

Citation: [2001] 2 SCR 198

Source asset id: 2001_2_198_206

Scope: Three-judge Bench, complete judicial text in the preserved nine-page report read; direct ACC discussion at physical pages 5–7 and historical transport-contract disposition at page 9.

Finding: The Court said ACC did not decide whether carriage of goods was carrying out any work. It rejected the CBDT's use of ACC to include transport contracts for the period preceding 1 July 1995, held the 1995 Explanation III non-retrospective for this purpose and quashed the circular only to the extent it related to transport contracts. ACC's loading/labour and reimbursement holding was not overruled.

Comprehensive later treatment verified: False

ASSESSMENT-YEAR CONTEXT AND LIMITS

The 30 March 1978 notice covered AYs 1973-74 and 1974-75; the 8 May 1978 notice covered AYs 1974-75 through 1977-78. These are the source's notice periods, not a Supreme Court computation for each year.

SOURCE & VERIFICATION

[Hon'ble Supreme Court source PDF \(reported judgment\)](#)

Identified source rendition: 9 PDF pages; SHA-256

d4c239bedf63a27116511d4aa98bbd36b940c5f04c592d941502872c953a57cf. Original bytes preserved.

Judicial text begins at physical page 3/SCR 540 with Venkatachala J. and ends at physical page 9/SCR 546. Editorial headnote pages 1–3 distinguished. The Brij Bhushan quotation at pages 7–8 concerns computation of a contractor's profits, not ACC's withholding obligation.

[Open cited source rendition](#)

Author verified at physical page 3: N. Venkatachala, J.; B.P. Jeevan Reddy is the other Bench member, not the author.; The headnote says no tax was deducted; the judicial narrative at physical page 4 says deductions were short. The note follows the latter, also corroborated in Birla Cement Works page 6.; Physical page 4 prints section 194(1) once amid repeated section 194C(1) references; section 194C(1) is the provision actually quoted, construed and decided.; The primary report prints sections 276B(1), 281 and 221 for the notices. Birla Cement Works page 6 instead prints sections 276B(1), 201 and 221. The actual notices were not obtained; no silent statutory substitution or independent holding on those provisions is made.; The appeal concerns loading packed cement into wagons/trucks, not the carriage of goods to destinations. The quoted broad language must be read with the checked later Birla limitation.; The later Birla report has a 1995/1996 period discrepancy at page 5; its historical holding concerns the period before the 1 July 1995 amendment. No separate Birla note is added in this batch.

STATUTORY SCOPE

No automatic Income-tax Act, 2025 mapping or present-law certification. These notes concern the historical statutory language applied in the stated proceedings.

LATER TREATMENT

Source checked 2026-10-04. Comprehensive later judicial treatment has not been verified. Any actually checked later authority is identified separately with its precise review scope.

IDENTIFIED SOURCE LINKS

[reported judgment - PDF pages: 9](#)

SHA-256: d4c239bedf63a27116511d4aa98bbd36b940c5f04c592d941502872c953a57cf

[later judgment direct treatment - PDF pages: 9](#)

SHA-256: 9d234d0b9b032d24537c8461fdb9ad5a3131fe42e977ed4c09f3af8b29f7d252

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