

Commissioner of Income Tax v. All India Tea and Trading Co. Ltd.

Civil Appeal No. 2136 of 1979

[1996] 3 SCR 156 | 1996-03-01

Compensation of Rs. 1,24,638 for requisitioned land was exempt agricultural income under the 1922 Act because ownership remained with the company and refugees continued cultivating the land. The payment was rent, or revenue derived directly from that agricultural land. Revenue's appeal was dismissed with costs.

Two-judge bench | J.S. Verma, J. | B.N. Kirpal, J.

Compensation for continued agricultural use

The holding depends on retained ownership and continued cultivation during requisition; it does not establish a blanket capital-gains exemption for acquisition of agricultural land.

Operative context: Indian Income-tax Act, 1922; historical sections 2(1), 66(1), 66(2).

01 FACTS OF THE CASE

The company owned tea estates in Assam. Its Singrimari lands were requisitioned in January and May 1949 under the Assam Land (Requisition and Acquisition) Act, 1948, and allotted to refugees. For AY 1958-59, the company claimed exemption for Rs. 1,24,638 received as compensation for that requisition.

The officer rejected the claim. The first appellate authority and Tribunal allowed it, finding that the lands had been used agriculturally before requisition and continued to be cultivated by the refugees afterwards. The Calcutta High Court held that the payment arose directly from the agricultural land despite the statutory source of the liability. Revenue appealed.

Source: [SCR 158 A-159 D](#)

02 DISCUSSION BY THE HON'BLE COURT

The Court applied section 2(1) of the 1922 Act. The relevant definition covered rent or revenue derived from land used for agricultural purposes, subject to its specified land-revenue or local-rate condition. Continued agricultural use was established by the Tribunal's factual finding. The contested question was the character and source of the compensation.

The land remained vested in the company. Requisition transferred possession for agricultural use, making the refugees comparable to compulsory tenants. A voluntary letting for the same use would have produced agricultural rent; compulsory possession did not sever the payment's direct connection with the land. The compensation therefore had the character of rent or, at least, revenue derived from that land.

The Court distinguished requisition for military purposes where cultivation stopped, and requisition of tea factories and buildings where business ceased. Those cases did not establish that every statutory compensation receipt lacked an agricultural source. It also distinguished salami, a different kind of tenant payment.

The judgment mentions an earlier decision concerning later acquisition of the same land, using it to confirm the land's continuing agricultural character. The present appeal concerned compensation for use during requisition, not a general rule exempting gains from every acquisition of agricultural land.

Source: [SCR 159 G-162 A](#)

03 JUDICIAL DECISION

The Supreme Court affirmed the High Court's answer that the Rs. 1,24,638 compensation was exempt agricultural income and dismissed Revenue's appeal.

Source: [SCR 162 A-B](#)

04 OUTCOME / IN WHOSE FAVOUR

Revenue's appeal dismissed; exemption upheld. Result: Assessee. Costs: Appeal dismissed with costs. Scope: Tax character of the identified requisition compensation decided. Limit: The holding depends on retained ownership and continued cultivation during requisition; it does not establish a blanket capital-gains exemption for acquisition of agricultural land.

Source: [SCR 162 A-B](#)

05 AKHB REVIEW POINT

Identify what the payment replaces: use of land, transfer of title, business interruption or another right. Obtain evidence of actual cultivation during the compensation period and keep requisition distinct from acquisition. A statutory payment can retain an agricultural source, but its label and the land's past use alone do not answer the question.

Source: [SCR 160 B-161 H](#)

SOURCE & VERIFICATION

Original reported Supreme Court judgment

7-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](#)

STATUTORY SCOPE

Indian Income-tax Act, 1922; historical sections 2(1), 66(1), 66(2).

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. A.M. Moosa, Bharath Sea Foods v. CIT, [1997] 224 ITR 735 (Ker), decided 29 May 1996, paragraph 12, distinguished this decision in an industrial-undertaking deduction dispute. Its established agricultural-use facts could not supply missing proof that other receipts were derived from the industrial business.

Verified the specific distinction in A.M. Moosa, paragraph 12; comprehensive subsequent history remains unverified.

A.M. Moosa judicial text paragraphs 1-14; particular use at paragraph 12. Nonofficial reproduction; no raw PDF/image verification.

IDENTIFIED SOURCE LINKS

[A.M. Moosa, Bharath Sea Foods v. Commissioner of Income-Tax \(1996-05-29\)](#)

Judicial text paragraphs 1-14; express distinction at paragraph 12. Nonofficial host; no raw PDF or images read.

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