

Commissioner of Income Tax, Madras v. Gemini Pictures Circuit Pvt. Ltd.

Civil Appeal Nos. 6133–6134 of 1983

[1996] 3 SCR 1008 | 1996-03-27

Whether cultivation of part of an urban commercial property made the sold plots agricultural land for the historical capital-asset exclusion.

2(14)(iii), historical | 45 | 256(1)

Two-judge bench | B.P. Jeevan Reddy, J. | S. Saghir Ahmad, J.

Assessment years: 1967-68

Cumulative land-character finding under pre-1970 law

Stop-gap cultivation did not make these commercially developed plots agricultural on the full record. Price or urban location alone was not a universal test. Later statutory restrictions on specified urban agricultural land require separate analysis; no current exemption is certified. The 29 April 1966 sale date is image-verified, correcting an OCR error only. Both reference answers and consolidated costs are preserved.

01 FACTS OF THE CASE

The assessee bought approximately four acres with a hotel building on Mount Road, Madras, in 1950 for Rs 5,53,705. It constructed two business buildings, laid a road and reserved frontage, leaving 39.1 grounds open. Bananas and later vegetables were grown on that area. It sold portions to India Cements and Imperial Tobacco on 29 April 1966 and to Handicrafts Emporium on 27 March 1967 (physical page 4).

For AY 1967-68 it claimed the plots were agricultural land outside the capital-asset definition. The ITO and first appellate authority rejected that claim. The Tribunal majority considered the property's urban municipal classification, surrounding commercial development, intended use and price alongside actual cultivation. The High Court instead placed dominant weight on cultivation and answered for the assessee. Revenue appealed (physical pages 4–5).

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

02 DISCUSSION BY THE HON'BLE COURT

The Court evaluated the totality of the circumstances. The property had a hotel when bought, was registered and taxed as urban land, and was subsequently developed by the assessee with substantial non-residential buildings. It lay on a major commercial thoroughfare, surrounded by industrial and commercial premises, and the purchase and sale instruments did not describe it as agricultural. Against that record, banana and vegetable cultivation was a stop-gap use rather than the land's true character (physical pages 5–7).

Actual use, location, price, records, intentions and surrounding conditions were relevant together; none was announced as a universal standalone test. The Court distinguished Gujarat cases on their different evidence and adopted Sarifabibi's cumulative approach. Its discussion of a high price indicating potential non-agricultural use appears in the account of a distinguished case, not a categorical rule that price alone decides character (physical pages 7–8).

The decision concerns classification under the historical law for AY 1967-68. It did not adjudicate present population/distance conditions, a current land-conversion process or the amount of gain (physical pages 5–8).

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

03 JUDICIAL DECISION

Revenue's appeals were allowed in the captioned two-appeal group. The High Court judgment was set aside and both referred questions were answered for Revenue. The plots were not agricultural land on the cumulative facts, so the claimed exclusion failed. Revenue received Rs 10,000 consolidated costs. No fresh capital-gain computation was made (physical page 8).

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

04 OUTCOME / IN WHOSE FAVOUR

In whose favour: Revenue

High Court set aside; both questions answered for Revenue; Rs 10,000 consolidated costs

Final fact-based historical land-character ruling

No universal rule that urban cultivation can never be agricultural, that any high price is decisive, or that agricultural character alone resolves later capital-asset rules.

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

05 AKHB REVIEW POINT

Document the property's true character over time, not just evidence of a crop at the sale date. The strength of the urban development and business-use record made the cultivation unpersuasive here. Conversely, do not convert the factual conclusion into a mechanical location-only or sale-price-only test for all land.

Separate agricultural character from the applicable capital-asset definition. The checked 2011 compilation records substitution of section 2(14)(iii) from 1 April 1970 to bring specified municipal and nearby agricultural land within the capital-asset framework. Thus even genuine agricultural use may require further statutory analysis in later years. The 2011 distances and notification wording themselves are not certified as today's law. This 1967-68 decision supplies no automatic current exemption or 2025 Act mapping.

Use the original page image for transaction dates: the first sale reads 29 April 1966, although the extracted text misreads it as 1960. Do not manufacture a judicial date conflict from an OCR error.

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

PROPOSITION-SPECIFIC SOURCE PARAGRAPHS AND PDF PAGES

1.

Topic: Identity, two appeals, transaction dates and initial facts

Source url: [Open cited source](#)

Pdf pages: 1; 3; 4

Paragraphs: Unnumbered judicial text

Source role: reported metadata and judicial text

2.

Topic: Lower-authority findings and commercial-property circumstances

Source url: [Open cited source](#)

Pdf pages: 5; 6

Paragraphs: Unnumbered judicial text

Source role: judicial text

3.

Topic: Cumulative test, distinguished examples and operative result

Source url: [Open cited source](#)

Pdf pages: 7; 8

Paragraphs: Unnumbered judicial text

Source role: judicial text

4.

Topic: Later municipal/nearby agricultural-land restriction

Source url: [Open cited source](#)

Pdf pages: 48

Paragraphs: Section 2(14)(iii), footnote 45

Source role: bounded historical statutory text

JUDICIAL AUTHORSHIP AND SEPARATE OPINIONS

B.P. Jeevan Reddy, J.

ACT IDENTIFIED IN THE REVIEWED SOURCE

Income-tax Act, 1961

SOURCE & VERIFICATION

Hon'ble Supreme Court source PDF (reported judgment)

Identified source rendition: 8 PDF pages; SHA-256

4c9226e399ffa312d4b1a699ddd6f5ad858f89726994179e69d3c6df927a4cce. Original bytes preserved.

Complete judicial text physical pages 4–8/SCR 1011–1015, agricultural character determined on the cumulative facts of the sold plots, not a current geographical exemption test.

Open cited source rendition

The first sale date is 29 April 1966 on the judicial page 4 image. The cached text's 1960 is an OCR error, not a verified date variant in the source.; The headnote's high-price sentence condenses a passage describing the distinguished Gujarat cases. The Court's actual test is cumulative and does not make price alone decisive.; The caption contains two appeals, while the ending uses singular appeal. The single stated assessment year and both referred questions are retained without inventing another year.; Section 47(viii) appears in the headnote but is not separately analysed in the judicial body. It is not promoted into an additional merits holding or a current exemption.; The source quotes a local ground measurement and approximate areas. The note does not reconcile those into a cadastral survey, exact square-foot total or fresh valuation.; The headnote prints a 1998 citation for V.A. Trivedi, whereas the body gives 1988. No independent bibliographic treatment is asserted.; Later section 2(14)(iii) changes are separate from the historical factual inquiry. Comprehensive subsequent treatment and present statutory tests remain unverified.

STATUTORY SCOPE

No automatic mapping to the Income-tax Act, 2025 or present-law certification. Apply the statutory text for the relevant year.

LATER TREATMENT

Source checked 2026-10-04. No comprehensive later-treatment search is certified. Any actually checked later judgment or statute is expressly identified in this note.

IDENTIFIED SOURCE LINKS

reported judgment - PDF pages: 8

SHA-256: 4c9226e399ffa312d4b1a699ddd6f5ad858f89726994179e69d3c6df927a4cce

official department hosted historical statutory compilation - PDF pages: 1251

SHA-256: 1ec6e4c38dc1d524d1d40b1fd35d13ac1336c8fc549cef2af1bf723a999c822b

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