

Associated Stone Industries (Kotah) Ltd. v. Commissioner of Income Tax, Rajasthan

Civil Appeal No. 685 of 1980; Special Leave Petition (Civil) No. 10840 of 1980 was filed by abundant caution and not separately considered

[1997] 1 SCR 957 | 1997-02-05

Historical reassessment and royalty dispute: full disclosure defeated section 34(1)(a), three years survived under section 34(1)(b), and the penal-interest, tax-credit and deduction issues were remanded.

Indian Income-tax Act, 1922: sections 34(1)(a), 34(1)(b), 18A(6), 18A(8) and 10(2)(xv)

2-judge bench | B. P. Jeevan Reddy, J. | K. S. Paripoornan, J.

Assessment years: 1950-51, 1951-52, 1952-53, 1953-54, 1954-55, 1955-56, 1956-57, 1957-58, 1958-59, 1959-60, 1960-61, 1961-62

Mixed result and remand

The assessee succeeded on section 34(1)(a), Revenue preserved three reassessments under section 34(1)(b), and questions 5, 6 and 7 were remitted. The judgment does not finally decide the penal-interest objection, tax-credit claim or royalty-deduction claim.

Historical statutory scope

The ruling applies provisions of the repealed 1922 Act. Current reassessment jurisdiction, appellate remedies, interest liability and deductions require independent analysis under the presently applicable law.

01 FACTS OF THE CASE

The assessee quarried stone under a 2 May 1945 Kotah State lease. Clause 18 required royalty at Re. 1 per 100 square feet, subject to a minimum Rs. 1,50,000 per financial year and a rate escalation linked to selling price, while describing the payment as consideration for concessions and privileges and in lieu of income-tax, super-tax and excess-profits tax. After Kotah merged into Rajasthan and the 1922 Act was extended from 1 April 1950, litigation among the assessee, Rajasthan and the Union addressed the royalty and federal-tax claims. The ITO originally allowed royalty above Rs. 1,50,000 but reopened AYs 1950-51 to 1956-57 under section 34(1)(a) and disallowed the excess. The Tribunal found full disclosure, rejected section 34(1)(a), and also addressed the royalty components; the High Court upheld reassessment and answered several interest, credit and deduction questions against the assessee.

Source: [SCR pp. 962-967 / PDF pp. 6-11](#)

02 DISCUSSION BY THE HON'BLE COURT

For section 34(1)(a), the material primary fact was the lease, which had been produced at the original assessments. The assessee was not required to point the officer to a particular clause or tell him which factual or legal inference to draw. The officer also knew of the three-party court dispute and injunction; failure to disclose was therefore absent. For AYs 1954-55 to 1956-57, however, the proceedings were within four years and could be sustained under section 34(1)(b): section 34 was one reopening machinery, clause (a) was the more onerous route, and an assessment initiated under clause (a) could survive under clause (b) where clause (b)'s conditions were met. Information could arise from the existing assessment record once its significance was recognised. On section 18A interest, the Court agreed that no separate appeal lay under the 1922 Act, but an assessee appealing the assessment could contest interest levied in that assessment; the factual application required remand. The Court also found that the High Court had not examined the asserted District Court decree, payment mechanics, deduction provision and earlier inter-parties judgment when deciding the credit and excess-royalty questions, so it declined to answer those questions and remitted them.

Source: [SCR pp. 967-978 / PDF pp. 11-22](#)

03 JUDICIAL DECISION

The Court held the section 34(1)(a) reassessments for AYs 1950-51 to 1956-57 invalid, but sustained the AY 1954-55, 1955-56 and 1956-57 proceedings under section 34(1)(b). It remitted question 5 on the section 18A interest objection and questions 6 and 7 on tax credit and excess-royalty deduction to the High Court for fact-specific orders. The appeal was disposed of accordingly with no order as to costs; the protective special leave petition was not separately considered.

Source: [SCR pp. 970, 975-979 / PDF pp. 14, 19-23](#)

04 OUTCOME / IN WHOSE FAVOUR

Neither side obtained a complete final merits victory. The assessee succeeded against the alleged nondisclosure basis under section 34(1)(a); Revenue retained reassessment for three years under section 34(1)(b). The interest, tax-credit and royalty-deduction questions remained for the High Court after remand and must not be reported as finally allowed or disallowed by this judgment.

Source: [SCR pp. 970, 975-979 / PDF pp. 14, 19-23](#)

05 AKHB REVIEW POINT

AKHB analysis: build a year-by-year reopening matrix showing the notice basis, limitation period, disclosed primary facts and the precise information relied on. Do not treat failure to identify an inference as failure to disclose a primary fact. Where an alternative statutory basis is argued, test every condition and time limit independently. Separately track remanded questions to the post-remand order; this Supreme Court disposition does not supply final answers on the interest, credit or deduction merits and does not certify the current-law position.

Source: [AKHB analysis based on SCR pp. 968-979 / PDF pp. 12-23](#)

SOURCE & VERIFICATION

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

Full 23-page SCR report read; the editorial headnote on PDF pages 1-6 was distinguished from the judicial text beginning on PDF page 6.

[Open cited source rendition](#)

Original bytes and 23-page count match the source catalogue; all pages were read and the six-page editorial headnote was separated from the Court's text.

The judgment itself states that SLP(C) No. 10840 of 1980 was filed by abundant caution and need not be considered separately.

At SCR p. 978 / PDF p. 22 the printed report refers to section 10(2)(xv) of the Income-tax Act, 1961, although section 10(2)(xv) is the provision discussed in the 1922 Act setting. This internal statutory-description discrepancy is disclosed rather than silently used as current-law authority.

The source contains no numbered judicial paragraphs; SCR and physical-PDF page pinpoints are used.

STATUTORY SCOPE

The judgment applies the repealed Indian Income-tax Act, 1922 to assessment years 1950-51 to 1961-62. Its alternative-jurisdiction, appealability, tax-credit and deduction analysis cannot be assumed to govern the current reassessment, interest, appeal or deduction provisions.

LATER TREATMENT

Source checked 2026-10-10. Comprehensive subsequent treatment, the High Court's post-remand orders and current statutory equivalence have not been verified; no current citator clearance is represented.

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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