

The Transmission Corporation of A.P. Ltd. and Anr. v. The Commissioner of Income Tax, A.P.

Civil Appeal Nos. 594-596 of 1985

[1999] Supp. 1 SCR 504 | 1999-08-17

Does section 195 apply only to payments wholly comprising income, or also to trading receipts with a chargeable income component?

195(1) | 195(2) | 195(3) | 197

2-judge bench | D.P. Wadhwa, J. | M.B. Shah, J.

Assessment years: 1966-67, 1967-68, 1968-69, 1969-70

Chargeable mixed-payment context

Transmission Corporation addresses trading receipts containing chargeable income and preserves the appropriate-proportion limit. Read with GE India's explanation; no comprehensive later-treatment or current-law certification is given.

01 FACTS OF THE CASE

The Andhra Pradesh State Electricity Board purchased equipment from three Swiss suppliers for a hydroelectric scheme and also contracted for work in India involving assembly, erection, testing and commissioning. The judgment describes separate supply and work agreements for Charmilles and Oerlikon and a purchase-and-erection contract with Sacheron. Payments were made without deduction under section 195, leading to default orders. The appellate authorities accepted the Board's position that section 195 covered only pure income or profits (reported pages 507-508).

On reference, the High Court held that withholding applied to the relevant payments but was limited to the appropriate chargeable proportion. It upheld the officer's determination for Sacheron while finding gross-sum determinations erroneous for Charmilles and Oerlikon. In the Supreme Court, the Board challenged applicability to receipts not wholly consisting of income; no submissions were advanced on the High Court's other findings (reported pages 509-510 and 515).

Source: [reported judgment / paragraphs](#) [Reported pages 507-510, facts and High Court answers](#) / [PDF pages 4, 5, 6, 7](#) / [judicial text](#)

02 DISCUSSION BY THE HON'BLE COURT

Chapter XVII permits collection before regular assessment; withholding is not itself the final computation of taxable business profit. The Court read sections 195(1)-(3) and 197 together: a sum may be chargeable because income is embedded within it, even though the gross receipt also contains costs or other non-income elements. The pure-income-only construction would therefore defeat the statutory scheme (reported pages 512-514).

The chargeability inquiry remained essential. The Court described section 195 as applying to a sum on which income tax is leviable, with income ultimately computed under the Act and deduction made at the rates in force. Sections 195(2), 195(3) and 197 supplied mechanisms for determining the appropriate taxable proportion or obtaining authorized reduced or nil deduction. Its statement that a payer who has not sought determination must deduct on the relevant sum occurs within this chargeable, mixed-receipt analysis, not a finding that every foreign remittance is taxable (reported pages 513-515).

The Court approved both the existence of the withholding obligation on these payments and its limitation to the appropriate proportion of chargeable income. It did not reopen the other supplier-specific findings that counsel had not challenged (reported pages 515-516).

Source: [reported judgment / paragraphs Reported pages 512-516, statutory scheme and conclusions / PDF pages 9, 10, 11, 12, 13 / judicial text](#)

03 JUDICIAL DECISION

The assessee's appeals were dismissed with costs. The Court affirmed the High Court's answers that section 195 applied to the payments under the contracts and that the obligation was limited to the appropriate chargeable proportion. The Supreme Court did not direct a fresh remand or determine a new supplier-wise tax amount (reported pages 515-516).

Source: [reported judgment / paragraphs Reported pages 515-516, final reasoning and disposition / PDF pages 12, 13 / judicial text](#)

04 OUTCOME / IN WHOSE FAVOUR

In whose favour: Revenue on the applicability of section 195 to trading receipts containing income; the chargeable-proportion limitation remained intact

Assessee appeals dismissed with costs; High Court answers affirmed

Final determination of the disputed pure-income-only construction; other High Court findings were not argued

Not a direction to tax every gross foreign remittance regardless of chargeability, and not a new adjudication of each supplier's quantified liability.

Source: [reported judgment / paragraphs Reported pages 509-510 and 515-516; unchanged findings and dismissal / PDF pages 6, 7, 12, 13 / judicial text](#)

05 AKHB REVIEW POINT

Separate the liability to withhold from the eventual assessment of profit. A payment does not escape section 195 simply because it is a trading receipt with deductible costs; identify the chargeable element and the applicable determination or certificate route. At the same time, preserve the operative approval of the chargeable-proportion limitation and the unchallenged supplier-specific findings.

The later GE India judgment, separately read for this batch, explains this ruling in the context of payments containing admittedly taxable Indian installation and commissioning income. That limited cross-check prevents an overbroad all-remittances reading; it is not a comprehensive subsequent-treatment audit.

Source: [reported judgment / paragraphs](#) Reported pages 513-516; editorial application / PDF pages 10, 11, 12, 13 / judicial text; [reported judgment / paragraphs](#) GE India, paragraph 10: later explanation actually read / PDF pages 16, 17 / judicial text

ADDITIONAL STATUTORY CONTEXT, NOT SEPARATE HOLDINGS

4; 5; 14; 190; 191; 192; 193; 194; 194A; 194B; 194BB; 194C; 194D; 194E; 194EE; 194F; 194G; 194H; 194-I; 194J; 194K; 256(1)

OTHER GOVERNING STATUTES

1.

Act: Indian Income-tax Act, 1922

Sections: 18(3B)

Role: Analogous provision discussed through Ray and Co.

JUDICIAL AUTHORSHIP AND SEPARATE OPINIONS

M.B. Shah, J.

ACT IDENTIFIED IN THE REVIEWED SOURCE

Income-tax Act, 1961

BOUNDED COMPARISON WITH THE SPECIFIED DECISION

1.

Case: GE India Technology Centre Private Ltd. v. Commissioner of Income Tax & Anr.

Decision date: 2010-09-09

Source url: [Open cited source](#)

Source asset id: 2010_10_1142_1159

Extent read: Full bounded judicial text, paragraphs 1-13; specific treatment in paragraph 10

Treatment: Explains and distinguishes Transmission Corporation's composite-payment setting; rejects using it to require deduction from a wholly unchargeable remittance. Does not overrule it.

Comprehensive later treatment: False

SOURCE & VERIFICATION

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

Identified source rendition: 13 PDF pages; SHA-256

d0e59a58a87a9d5c69e43e4c8f83bc863a77bd676d1b74d59bfa648c303774d9. Original bytes preserved.

Complete unnumbered judicial judgment on physical pages 4-13, reported pages 507-516; headnote on pages 1-3 is editorial.

Full bounded judicial text read from the cached page extraction; identity, author, disposition and selected extraction anomalies visually checked against the preserved PDF. Public mirror provenance and checksum match the repository index; no independently obtained signed original is claimed.

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SCR citation, Supreme Court date, bench and case numbers checked in the preserved reported PDF. No neutral citation inferred from machine metadata.

These assessment years are stated in the question reproduced for R.C. No. 205 of 1978. They are not represented as an exhaustive year list for all three references. The factual narrative separately gives payment financial years ranging from 1966-67 to 1972-73; those are not silently converted into assessment years.

This unnumbered judgment is pinned by physical and reported page numbers; paragraph numbers are not invented.; The factual narrative describes separate supply and installation agreements for two suppliers. GE India's later composite-contract description should not erase that source detail.; The opening editorial synopsis refers to an obligation under section 197; the judicial question and holding concern section 195, with section 197 discussed as a certificate safeguard.; No fresh quantified tax computation or Supreme Court remand is recorded; the High Court's other findings were expressly not argued.; The analogous Ray and Co. authority is reviewed only through the passage reproduced in this judgment.

STATUTORY SCOPE

Historical judgment review only. No automatic mapping to the Income-tax Act, 2025 or certification of present law or procedure.

LATER TREATMENT

Source checked 2026-10-04. No comprehensive subsequent judicial treatment or current-law audit. Any specific cross-case comparison actually read is identified separately.

IDENTIFIED SOURCE LINKS

[reported judgment - PDF pages: 13](#)

SHA-256: d0e59a58a87a9d5c69e43e4c8f83bc863a77bd676d1b74d59bfa648c303774d9

[reported judgment - PDF pages: 18](#)

SHA-256: f1c7a56de9fe19d8cc0bad3b3a30361fa14f60f6aaacdbeafa1871e4dd217b77

[Related note: GE India Technology Centre Private Ltd. v. Commissioner of Income Tax & Anr.](#)

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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