

M/s. Consolidated Coffee Ltd. etc. v. Agricultural Income Tax Officer, Madikeri and others

Civil Appeal Nos. 98-102 of 2000 with Civil Appeal No. 3051 of 2000

[2000] Supp. 4 SCR 608 | 2000-11-14

Karnataka agricultural income-tax: an assessee complying with an operative stay of recovery was not in default during the stay period and could not be penalised under section 42 for that period.

Karnataka Agricultural Income Tax Act, 1957: sections 41, 42 and 61 | Code of Criminal Procedure, 1973: recovery reference in section 42(2)

2-judge bench | S. P. Bharucha, J. | D. P. Mohapatra, J.

Assessment years: 1981-82, 1982-83, 1983-84, 1984-85, 1985-86

Penalty distinguished from compensatory interest

The decision turns on the penal character of section 42 and an operative stay. It does not state that compensatory interest or every time-linked statutory charge disappears during a stay.

01 FACTS OF THE CASE

For AYs 1981-82 to 1985-86, the Agricultural Income Tax Officer assessed Consolidated Coffee under the Karnataka Act. On 24 June 1989 the Assistant Commissioner stayed recovery subject to part payment and a bank guarantee; the assessee complied. The appeals were dismissed on 19 March 1990 and Revenue invoked the guarantee. In 1996 the officer imposed aggregate penalty of Rs.7,65,578 for the period of non-payment, including the stay period. The Karnataka High Court upheld the levy. A connected appeal involved materially similar facts except that the High Court had granted the stay.

Source: [Lead appeal facts and connected appeal: SCR pp.610-611, 614](#)

02 DISCUSSION BY THE HON'BLE COURT

Sections 41 and 42 treated an unpaid demand as default and imposed an escalating penalty, while the proviso to section 42(2) stopped recovery where the assessee appealed or sought revision and complied with the appellate or revisional payment order. The Court held that this recognised the demand as being in abeyance during an operative stay. A stay might take different forms, but while it operated the stayed order did not exist in the eye of law for execution; once vacated it revived. Therefore the assessee was not in default during the stay. The Court separately rejected Revenue's attempt to treat section 42 penalty as analogous to late-payment surcharge or interest: interest is compensatory, while this statutory penalty was punitive.

Source: [Statutory text and Court's reasoning: SCR pp.611-614](#)

03 JUDICIAL DECISION

In Civil Appeal Nos. 98-102 of 2000 the Court held that the assessee was not in default from 24 June 1989 while the stay operated and set aside the section 42 penalty for that period. It reached the same result in Civil Appeal No. 3051 of 2000 for the period covered by the High Court's stay. The appeals were allowed to that extent, without orders as to costs.

Source: [Operative relief in both appeal groups: SCR p.614](#)

04 OUTCOME / IN WHOSE FAVOUR

In favour of the assessees, limited to penalty for the operative stay periods. The judgment did not extinguish the tax demands, bar execution after the stays ended or decide compensatory interest under a differently worded provision.

Source: [Scope and limits of relief: SCR pp.613-614](#)

05 AKHB REVIEW POINT

AKHB analysis: preserve the stay order, proof of compliance, exact commencement and vacation dates, and the statutory character of every charge. Compute penalty only for periods legally treated as default and distinguish penal levies from compensatory interest or surcharge. Before relying on the case elsewhere, compare the recovery provision's exact language and later treatment rather than assuming that every stay has the same consequence for every charge.

Source: [AKHB analysis based on the default, stay and penalty distinction](#)

SOURCE & VERIFICATION

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

Full 7-page SCR report read. Editorial headnotes on PDF pages 1-2 were separated from the unnumbered judicial text beginning at SCR p.610 / PDF p.3 and ending at SCR p.614 / PDF p.7.

[Open cited source rendition](#)

Exact source bytes, SHA-256 and 7-page count match catalogue asset S_2000_4_608_614. All pages were read and the headnote separated from the judicial text.

The report verifies the decision date, two-judge bench, Civil Appeal Nos. 98-102 of 2000 and connected Civil Appeal No. 3051 of 2000. The catalogue's retrospective 2000INSC525 identifier is not printed and is not adopted as a verified neutral citation.

AYs 1981-82 to 1985-86 belong to Civil Appeal Nos. 98-102 of 2000. The judgment states only that the connected appeal had similar facts and a High Court stay; no additional assessment years are invented for it.

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

STATUTORY SCOPE

Historical Karnataka Agricultural Income Tax Act, 1957 default-and-penalty decision. No current recovery rule, later amendment or applicability under another enactment is certified.

LATER TREATMENT

Source checked 2026-10-10. Comprehensive later treatment and current-law applicability have not been checked. No citator or current-law clearance is represented.

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