

M/s. Birla Cement Works v. The Central Board of Direct Taxes and Others

Civil Appeal No. 5004 of 1997

[2001] 2 SCR 198 | 2001-02-28

Whether the CBDT circular dated 8 March 1994 could apply section 194C to contracts for carriage of goods before Explanation III took effect on 1 July 1995, on the basis of Associated Cement Co.

194C (before Explanation III inserted from 1 July 1995)

Three-judge bench | S.P. Bharucha, J. | N. Santosh Hegde, J. | Y.K. Sabharwal, J.

Assessment years: See the source-scope notes; no year inferred.

Historical pre-1 July 1995 carriage contracts only

The holding concerns the old section 194C before Explanation III took effect on 1 July 1995 and quashes the 8 March 1994 circular only for transport contracts. It is not a present withholding exemption or a rule for every composite logistics contract. The source inconsistently prints a 1996 period end after expressly stating 30 June 1995; no assessment year, current rate or refund order is invented. The bounded later search found no direct treatment, but comprehensive treatment and current-law mapping remain unverified.

01 FACTS OF THE CASE

Birla Cement Works used transport operators to move its cement. It did not deduct tax at source on the disputed carriage payments. The ITO's letter dated 18 March 1995 required deduction under the CBDT circular of 8 March 1994, effective from 1 April 1994. Penalty proceedings prompted the writ petition. The judgment states that the appellant had paid income tax, without turning that fact into a separate general discharge rule (SCR 202-B-D, 203-A-B).

Earlier departmental circulars and clarifications had treated pure transport contracts as outside section 194C. The 1994 circular reversed that position after Associated Cement Co. The High Court dismissed the challenge, treating carriage as work and the 1995 Explanation as clarificatory. The express facts identify the disputed period as 1 April 1994 to 30 June 1995; an inconsistent next-paragraph date is recorded separately (SCR 201-D-202-F).

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

02 DISCUSSION BY THE HON'BLE COURT

Associated Cement Co. involved payment for loading/unloading work and a labour-related reimbursement arrangement, not the question whether carriage of goods itself fell within the old wording. The CBDT could not treat that judgment as deciding the distinct transport-contract issue. The Court preserved the broad meaning of any work in its actual context rather than extending the precedent beyond the issue it resolved (SCR 203-B-204-E).

The long-established administrative understanding excluded transport contracts. Two interpretations of the old provision were reasonably possible; in those circumstances an interpretation favourable to the assessee and long accepted and acted upon by Revenue should not be displaced without compelling reasons. The Court expressly added that consistent prior circulars would not matter if the contrary reading were the only possible statutory reading. It therefore did not make administrative practice superior to clear statutory language (SCR 206-B-D).

There was no compelling reason to treat Explanation III as clarificatory or retrospective. Section 194C before that insertion did not apply to the transport contracts at issue, namely contracts for carriage of goods. Applicability from 1 July 1995 was not disputed. Composite transport-and-labour contracts were separately described in the earlier circular history, so this decision is not a universal exclusion for every logistics contract (SCR 201-E-G, 204-F-205-A, 206-D).

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

03 JUDICIAL DECISION

The appeal was allowed. The circular dated 8 March 1994 was quashed only to the extent that it related to transport contracts. The parties were left to bear their own costs; no remand or independent quantified refund/penalty order was made in the operative paragraph (SCR 206-D-E).

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

04 OUTCOME / IN WHOSE FAVOUR

In whose favour: Assessee on the pre-1 July 1995 transport-contract issue

Appeal allowed; challenged circular quashed to the extent of transport contracts; own costs

Final historical interpretation and limited circular invalidation

No present-day exemption from withholding, no quashing of the circular in every application, and no rule that every later Explanation is prospective.

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

05 AKHB REVIEW POINT

Start with the payment date, contract scope and the statutory version. Keep pure carriage distinct from loading, unloading or a composite work arrangement. Then compare the precise issue in the precedent the administration relies on; general words extracted from a judgment about a different contract do not settle a new category.

This ruling's administrative-consistency reasoning depends on two genuinely reasonable readings. It cannot validate a circular contrary to an unambiguous statute. For any present withholding decision, separately verify the governing Act, transport definitions, rates, thresholds, payer/payee conditions, exemptions and reporting rules; none is certified by this historical note.

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

PROPOSITION-SPECIFIC SOURCE PARAGRAPHS AND PDF PAGES

1.

Topic: Identity, appeal and exact challenge

Source url: [Open cited source](#)

Pdf pages: 1; 3

Paragraphs: Cover; jurisdiction at SCR 200-C-D; judicial opening SCR 200-F-H

Source role: reported metadata and judicial text

2.

Topic: Historical section, circular practice, payment period and discrepancy

Source url: [Open cited source](#)

Pdf pages: 4; 5; 6

Paragraphs: Unnumbered judicial text, SCR 201-A-203-B

Source role: judicial text

3.

Topic: Associated Cement distinguished and Explanation III

Source url: [Open cited source](#)

Pdf pages: 6; 7; 8

Paragraphs: Unnumbered judicial text, SCR 203-B-205-A

Source role: judicial text

4.

Topic: Alternative interpretations, prospective effect and limited quashing

Source url: [Open cited source](#)

Pdf pages: 9

Paragraphs: Unnumbered judicial text, SCR 206-B-E

Source role: judicial text

JUDICIAL AUTHORSHIP AND SEPARATE OPINIONS

Y.K. Sabharwal, J.

ACT IDENTIFIED IN THE REVIEWED SOURCE

Income-tax Act, 1961

SPECIFIED LATER CHECKS AND THEIR LIMITS

1.

Label: Bounded corpus search only; no positive later-treatment conclusion

Searched at: 2026-10-04T14:43:38.600403+00:00

Scope: Consolidated supplied Supreme Court corpus, later dates only; exact FTS phrase Birla Cement and expanded Birla AND Cement; candidate passages containing Birla inspected.

Queries: "Birla Cement"; "Birla" AND "Cement"

Finding: The exact phrase returned only this primary case. Expanded later hits in Hero Cycles (2015_12_55_63), Shiv Raj Gupta (2020_5_874_896), Citi Bank (2021_13_424_565) and D.N. Singh (2023_7_530_598) concerned other Birla authorities and did not establish treatment of this judgment. This bounded negative result does not certify absence of later treatment; OCR and corpus coverage remain limitations.

Comprehensive status: not verified

DISPUTED HISTORICAL PERIOD AND SOURCE CONFLICT

1 April 1994 to 30 June 1995, as the express facts state at SCR 202-C-D; the next paragraph prints 30 June 1996, which is flagged as an unresolved inconsistent recital.

HISTORICAL STATUTORY CONTEXT

Section 194C was introduced from 1 April 1972. The Court addressed the pre-1 July 1995 wording and Explanation III inserted by Finance Act, 1995 with effect from 1 July 1995, expressly including carriage of goods and passengers by transport other than railways. The quoted two-percent rate and circular history are historical, not current compliance instructions.

IDENTIFIED PROCEDURAL HISTORY

Appeal from Rajasthan High Court judgment dated 9 April 1997 in D.B.C.W.P. No. 1667 of 1995.

SOURCE & VERIFICATION

Hon'ble Supreme Court source PDF (reported judgment)

Identified source rendition: 9 PDF pages; SHA-256

9d234d0b9b032d24537c8461fdb9ad5a3131fe42e977ed4c09f3af8b29f7d252. Original bytes preserved.

Complete unnumbered judicial text from SCR 200-F through 206-E (physical PDF pages 3–9); preceding headnote excluded.

No adjacent judgment.

Open cited source rendition

At SCR 202-C-D the Court states 1 April 1994 to 30 June 1995; at SCR 202-E the next paragraph prints 1.4.1994 to 30.6.1996. Both are present in the image. The note uses the express disputed-period statement and keeps the inconsistency visible.; No assessment-year numbers are supplied for the disputed payment period; none is inferred.; The report identifies the impugned circular by date; no circular number is added from memory.; Rates and the 30 June 1995 cut-off are historical. The result does not determine withholding under subsequent section 194C versions or the Income-tax Act, 2025.; The primary judicial paragraphs are unnumbered; headnote holding numbers are not treated as judicial paragraph numbers.

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. Comprehensive subsequent judicial and statutory treatment has not been verified. Only the expressly identified bounded comparisons have been checked. No current-law or Income-tax Act, 2025 mapping is certified.

IDENTIFIED SOURCE LINKS

[reported judgment - PDF pages: 9](#)

SHA-256: 9d234d0b9b032d24537c8461fdb9ad5a3131fe42e977ed4c09f3af8b29f7d252

AI DISCLOSURE

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