

Assam Company Ltd. and Another v. State of Assam and Others

Civil Appeal No. 5047 of 1996 and connected matters

[2001] 2 SCR 515 | 2001-03-21

Composite tea income: whether Assam agricultural-income-tax officers could recompute the agricultural component fixed under the central Income-tax Act and Rule 8

Constitution of India: Articles 246(3) and 366(1); Seventh Schedule, List II, Entry 46 | Income-tax Act, 1961: section 2(1A) and Chapter XX(E) | Income-tax Rules, 1962: Rule 8 | Assam Agricultural Income Tax Act, 1939: sections 2(a)(2), 8, 20D, 49 and 50 | Assam Agricultural Income Tax Rules, 1939: Rule 5 proviso

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

Historical Assam law and composite-tea computation

The decision concerns the 1939 Assam Act and the then-applicable Rule 8 framework. It is not a current Assam-law or later-treatment clearance.

01 FACTS OF THE CASE

The appellants cultivated, manufactured and sold tea. Their composite tea income was assessed centrally under the Income-tax Act and Rule 8, which treated 40% as central taxable business income and left the balance as agricultural income. Assam agricultural-income-tax officers refused to accept the central computation and recomputed the agricultural component under the State regime. The Gauhati High Court upheld a limited State power to do so under section 49 and Rule 5.

Source: [Primary judgment: composite-income dispute and procedural history](#)

02 DISCUSSION BY THE HON'BLE COURT

Article 366(1), Rule 8 and the State Act's own sections 2(a)(2), 8 and 20D showed a design for the State levy to adopt the agricultural component computed under central law. Section 49 permitted the State officer to call for records; it did not confer a power to sit in judgment over and replace the central computation. The Rule 5 proviso nevertheless purported to grant that power. Because delegated legislation must remain within its enabling Act, the proviso exceeded section 50 and contradicted the statutory scheme. A State officer who considered the central assessment wrong could pursue the central appellate or revisional route rather than recompute unilaterally.

Source: [Primary judgment: statutory scheme, delegated power and State remedy](#)

03 JUDICIAL DECISION

Section 49 did not authorize a fresh State computation of agricultural income from tea. The proviso to Rule 5 was ultra vires the Assam Act to the extent it allowed recomputation contrary to the central officer's figure. Having resolved the case on that ground, the Court did not decide the broader constitutional-validity and repugnancy arguments.

Source: [Primary judgment: rule held ultra vires and constitutional question left open](#)

04 OUTCOME / IN WHOSE FAVOUR

The connected appeals and petitions were allowed without costs. The impugned assessments were set aside, and the Assam officers were directed to reassess on the agricultural-income computation made by the central officers, subject to the State's right to pursue relief under Chapter XX(E) of the central Act.

Source: [Primary judgment: operative relief](#)

05 AKHB REVIEW POINT

AKHB analysis: for composite tea income, identify which authority makes the base computation and whether the State statute adopts that figure. A State officer's record-calling power is not automatically a power to recompute. If the adopted central assessment appears wrong, use the corrective route the governing statute provides; do not infer a substitution power from a general rule-making clause. Recheck the current central and State provisions before reliance.

Source: [Primary judgment: review-point basis](#)

SOURCE & VERIFICATION

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

Complete ten-page SCR report read and visually inspected; exact source bytes match the catalogue SHA-256.

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Exact catalogue SHA-256 and ten-page count verified; all pages were read and visually inspected.

The Court resolved delegated power and left the broader constitutional challenge undecided.

STATUTORY SCOPE

The State dispute arose under the Assam Agricultural Income Tax Act, 1939 and Rule 5; central Rule 8 supplied the adopted composite-income split.

LATER TREATMENT

Source checked 2026-10-12. No later-treatment or current-law clearance is represented. The ruling concerns the historical Assam Act and the then-applicable central Rule 8 framework.

AI DISCLOSURE

This AKHB research note was prepared with AI assistance from the identified primary report and has not been represented as independently human-reviewed.

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