

M/s. George Williamson (Assam) Ltd. v. Commissioner of Income Tax, Gauhati

Civil Appeal Nos. 6694-6698 of 2004

[2005] Supp. 3 SCR 303 | 2005-09-19

Surtax capital computation: whether the excess of the transferred undertakings' net assets over the RBI-approved consideration was a capital reserve excluded by Explanation 1 to Rule 2.

Companies (Profits) Surtax Act, 1964: Second Schedule, Rule 1(iii) and Rule 2, Explanation 1 | Companies Act, 1956: sections 391 and 394 | Foreign Exchange Regulation Act, 1973: section 19(1)(d)

2-judge bench | A. R. Lakshmanan, J. | P. P. Naolekar, J.

Assessment years: 1980-81, 1981-82, 1982-83

Historical surtax regime

The holding concerns capital computation under the repealed Companies (Profits) Surtax Act, 1964. It must not be presented as current income-tax, company-law, foreign-exchange or accounting guidance.

01 FACTS OF THE CASE

George Williamson (Assam) Ltd. was formed to take over the Indian undertakings of twelve UK-registered sterling tea companies under court-approved arrangements. The RBI approved aggregate consideration of Rs. 4.90 crore and required that the net assets at the transfer date not fall below those shown in the transferors' 31 December 1976 balance sheets. The maintained net assets were Rs. 6,33,89,055, producing a difference of Rs. 1,43,89,055 shown as capital reserve. For AYs 1980-81 to 1982-83, the dispute was whether that reserve formed part of capital for the statutory deduction under the Companies (Profits) Surtax Act, 1964. The Commissioner (Appeals) and Tribunal included it; the Gauhati High Court reversed the Tribunal.

Source: [SCR pp. 305-308 / PDF pp. 3-6](#)

02 DISCUSSION BY THE HON'BLE COURT

Explanation 1 excluded a reserve brought into existence by creating or increasing, by revaluation or otherwise, a book asset. The Tribunal had specifically found that no such book asset was created or increased: the company received real and tangible assets, and the accounting difference followed from the net assets taken over and the RBI-approved consideration. The Court held that *Commissioner of Income Tax v. Standard Vacuum Oil Co.*, under materially identical wording in the Business Profits Tax Act, directly governed the issue. It also rejected the High Court's reliance on supposed income-tax benefits from the acquired assets because that new case had not been advanced by Revenue and did not arise from the Tribunal's order.

Source: [SCR pp. 309-313 / PDF pp. 7-11](#)

03 JUDICIAL DECISION

The Court set aside the Gauhati High Court's order and restored the Tribunal's order. The connected appeals were allowed with no order as to costs.

Source: [SCR p. 313 / PDF p. 11](#)

04 OUTCOME / IN WHOSE FAVOUR

The assessee succeeded finally in the Supreme Court: the Rs. 1,43,89,055 capital reserve was included in its capital for the historical surtax computation for the three assessment years. The result is confined to the statutory wording and acquisition facts considered in the judgment.

Source: [SCR pp. 312-313 / PDF pp. 10-11](#)

05 AKHB REVIEW POINT

AKHB analysis: for any historical capital-base dispute, reconcile the acquisition instrument, regulatory price approval, transferred balance sheets and the precise accounting entry. Test whether the reserve arose from real assets transferred for consideration or from creating or increasing a book asset; the label alone is not decisive. Separately verify the presently applicable tax, company-law, foreign-exchange and accounting framework before relying on this repealed-surtax decision.

Source: [AKHB analysis based on SCR pp. 310-313 / PDF pp. 8-11](#)

SOURCE & VERIFICATION

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

Full 11-page SCR report read; the editorial headnote on PDF pages 1-3 was distinguished from the judicial text beginning on PDF page 3.

[Open cited source rendition](#)

Original bytes and 11-page count match the source catalogue; the complete judicial text was read separately from the editorial headnote.

The judgment itself identifies five connected appeals, Civil Appeal Nos. 6694-6698 of 2004, although the catalogue's compact case-number field names only No. 6694/2004.

The quoted Tribunal passage at SCR p. 312 / PDF p. 10 prints Rs. 1,43,055, while the judgment's facts and the surrounding record consistently state Rs. 1,43,89,055. The note uses the consistently stated figure and records this source discrepancy.

STATUTORY SCOPE

The decision applies the repealed Companies (Profits) Surtax Act, 1964 and a historical corporate acquisition/accounting setting. It does not determine current income-tax, company-law, foreign-exchange or accounting treatment.

LATER TREATMENT

Source checked 2026-10-10. Comprehensive subsequent treatment has not been verified; no current citator clearance or current-law certification 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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