

Sedco Forex International Drill. Inc. and Ors. v. Commissioner of Income Tax, Dehradun and Anr.

Civil Appeal No. 351 of 2005 and connected proceedings (full list below)

[2005] Supp. 5 SCR 302 | 2005-11-17

Whether UK field-break salaries of UK-resident employees were deemed earned in India under section 9(1)(ii) for AYs 1992-93 and 1993-94, and whether the 1999 substituted Explanation could apply to those earlier years.

9(1)(ii) | Explanation to 9(1)(ii) as inserted in 1983 and substituted in 1999 | 4(1) | 5(2) | 119 (circular argument)

Two-judge bench | Ruma Pal, J. | Tarun Chatterjee, J.

Assessment years: 1992-93, 1993-94

Historical employee-salary holding; later rest/leave issue undecided

This is the 2005 employee field-break salary case for AYs 1992-93 and 1993-94, not the 2017 section 44BB Sedco judgment. The 1999 rest/leave amendment operated from 1 April 2000 and was not applied backwards; whether these activities satisfied its wording was expressly unnecessary to decide. Do not turn the result into a general leave-salary or offshore-income exemption. Current law and comprehensive later treatment remain unverified.

01 FACTS OF THE CASE

The Panama-incorporated company supplied rigs and personnel to ONGC for offshore drilling within Indian territorial waters. It appealed as agent of its UK-resident employees. Their UK-executed agreements alternated 35 or 28 days at the foreign work location with an equal field-break period in the UK, at the same monthly salary. Field breaks included obligatory training, updating knowledge and readiness for assignments on the employer's projects anywhere in the world (physical pages 5-6/SCR 306 G-307 C).

For AYs 1992-93 and 1993-94, the AO included field-break salary; the first appellate authority sustained the treatment, but the Tribunal deleted the addition. The High Court restored it, treating on/off periods as an integrated contract, assuming a nexus between training and Indian rig work, and referring to payment from income of Indian operations. Those were the High Court's grounds, not independent findings that the Supreme Court adopted (physical pages 6-7/SCR 307 D-308 A).

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

02 DISCUSSION BY THE HON'BLE COURT

The Court read sections 4, 5(2) and 9 together. Under the 1983 Explanation, effective from 1 April 1979, salary for service rendered in India was deemed earned in India regardless of where the contract was made, the payment liability arose or the money was received. But the field-break duties here were performed in the UK and involved readiness for work anywhere. The contract separately addressed Indian service and field-break salary; it did not describe the latter as pay for a well-earned rest. A possible nexus with Indian service could not expand the statutory fiction beyond its terms (physical pages 7-9/SCR 308 G-310 B).

The 1999 substituted Explanation expressly added qualifying rest or leave periods preceded and succeeded by Indian service and forming part of the employment contract, with effect from 1 April 2000. Its legislative history and CBDT Circular 779 supported prospective application. The Court adopted the circular's construction without needing to decide that its interpretation bound Revenue under section 119. A provision labelled an Explanation or introduced for removal of doubts is not necessarily retrospective: its effect on the law and the specified commencement matter (physical pages 9-12/SCR 310 C-313 A).

The Court discussed Pgnatale, Goslino Mario, S.R. Patton and other authorities as legislative-history or interpretation sources. The earlier cases' years and factual findings are not additional Sedco assessments. The Court expressed doubt whether these UK activities were rest or leave even under the substituted wording, but expressly found that issue unnecessary because the amendment did not govern the two years before it (physical page 12/SCR 313 B-C).

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

03 JUDICIAL DECISION

The High Court's decision was set aside and all listed appeals were allowed, with no order as to costs. Field-break salary was not taxable on the section 9(1)(ii) basis advanced for AYs 1992-93 and 1993-94. No remand or employee-wise monetary computation was ordered (physical page 12/SCR 313 C-D).

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

04 OUTCOME / IN WHOSE FAVOUR

In whose favour: Employee-assesseees, represented by the employer as agent

All 131 listed appeals allowed; High Court decision set aside; no costs

Final on the historical field-break salary issue; classification under the 1999 substituted rest/leave wording expressly unnecessary to decide

Not a blanket exemption for offshore employees, all leave salary or every amount received outside India. It does not decide post-2000 application to these activities or a treaty claim.

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

05 AKHB REVIEW POINT

Identify the employee's relevant year, residence, actual duties during each period, contractual distinction and statutory version before attributing salary. A general commercial connection with Indian drilling does not by itself answer the historical service-rendered test. Conversely, this result cannot be carried into later rest/leave wording without checking that provision's conditions and any other applicable charging or treaty rules.

Keep the 1983 amendment's expressly backdated commencement and the 1999 amendment's future commencement separate; the decision does not say every Explanation is prospective. This 2005 employee-salary case is also distinct from the 2017 Sedco mobilisation-fee and lost-tool decision under section 44BB. A shared party name and oilfield setting do not merge the appeals or holdings.

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

APPEAL AND PROCEEDING NUMBERS

Civil Appeal No. 351 of 2005 / Civil Appeal No. 352 of 2005 / Civil Appeal No. 353 of 2005 / Civil Appeal No. 354 of 2005 / Civil Appeal No. 355 of 2005 / Civil Appeal No. 375 of 2005 / Civil Appeal No. 376 of 2005 / Civil Appeal No. 377 of 2005 / Civil Appeal No. 378 of 2005 / Civil Appeal No. 379 of 2005 / Civil Appeal No. 380 of 2005 / Civil Appeal No. 381 of 2005 / Civil Appeal No. 382 of 2005 / Civil Appeal No. 383 of 2005 / Civil Appeal No. 384 of 2005 / Civil Appeal No. 385 of 2005 / Civil Appeal No. 386 of 2005 / Civil Appeal No. 387 of 2005 / Civil Appeal No. 388 of 2005 / Civil Appeal No. 389 of 2005 / Civil Appeal No. 390 of 2005 / Civil Appeal No. 391 of 2005 / Civil Appeal No. 392 of 2005 / Civil Appeal No. 393 of 2005 / Civil Appeal No. 394 of 2005 / Civil Appeal No. 395 of 2005 / Civil Appeal No. 396 of 2005 / Civil Appeal No. 397 of 2005 / Civil Appeal No. 398 of 2005 / Civil Appeal No. 399 of 2005 / Civil Appeal No. 400 of 2005 / Civil Appeal No. 401 of 2005 / Civil Appeal No. 402 of 2005 / Civil Appeal No. 403 of 2005 / Civil Appeal No. 404 of 2005 / Civil Appeal No. 405 of 2005 / Civil Appeal No. 406 of 2005 / Civil Appeal No. 407 of 2005 / Civil Appeal No. 408 of 2005 / Civil Appeal No. 409 of 2005 / Civil Appeal No. 410 of 2005 / Civil Appeal No. 411 of 2005 / Civil Appeal No. 412 of 2005 / Civil Appeal No. 413 of 2005 / Civil Appeal No. 414 of 2005 / Civil Appeal No. 415 of 2005 / Civil Appeal No. 416 of 2005 / Civil Appeal No. 417 of 2005 / Civil Appeal No. 418 of 2005 / Civil Appeal No. 419 of 2005 / Civil Appeal No. 420 of 2005 / Civil Appeal No. 421 of 2005 / Civil Appeal No. 422 of 2005 / Civil Appeal No. 423 of 2005 / Civil Appeal No. 424 of 2005 / Civil Appeal No. 425 of 2005 / Civil Appeal No. 426 of 2005 / Civil Appeal No. 428 of 2005 / Civil Appeal No. 429 of 2005 / Civil Appeal No. 430 of 2005 / Civil Appeal No. 431 of 2005 / Civil Appeal No. 432 of 2005 / Civil Appeal No. 433 of 2005 / Civil Appeal No. 434 of 2005 / Civil Appeal No. 435 of 2005 / Civil Appeal No. 436 of 2005 / Civil Appeal No. 437 of 2005 / Civil Appeal No. 438 of 2005 / Civil Appeal No. 439 of 2005 / Civil Appeal No. 440 of 2005 / Civil Appeal No. 441 of 2005 / Civil Appeal No. 442 of 2005 / Civil Appeal No. 443 of 2005 / Civil Appeal No. 444 of 2005 / Civil Appeal No. 445 of 2005 / Civil Appeal No. 446 of 2005 / Civil Appeal No. 447 of 2005 / Civil Appeal No. 462 of 2005 / Civil Appeal No. 465 of 2005 / Civil Appeal No. 466 of 2005 / Civil Appeal No. 467 of 2005 / Civil Appeal No. 468 of 2005 / Civil Appeal No. 469 of 2005 / Civil Appeal No. 470 of 2005 / Civil Appeal No. 471 of 2005 / Civil Appeal No. 472 of 2005 / Civil Appeal No. 474 of 2005 / Civil Appeal No. 475 of 2005 / Civil Appeal No. 476 of 2005 / Civil Appeal No. 478 of 2005 / Civil Appeal No. 480 of 2005 / Civil Appeal No. 481 of 2005 / Civil Appeal No. 483 of 2005 / Civil Appeal No. 484 of 2005 / Civil Appeal No. 545 of 2005 / Civil Appeal No. 502 of 2005 / Civil Appeal No. 503 of 2005 / Civil Appeal No. 504 of 2005 / Civil Appeal No. 505 of 2005 / Civil Appeal No. 506 of 2005 / Civil Appeal No. 507 of 2005 / Civil Appeal No. 508 of 2005 / Civil Appeal No. 509 of 2005 / Civil Appeal No. 510 of 2005 / Civil Appeal No. 511 of 2005 / Civil Appeal No. 513 of 2005 / Civil Appeal No. 514 of 2005 / Civil Appeal No. 515 of 2005 / Civil Appeal No. 516 of 2005 / Civil Appeal No. 517 of 2005 / Civil Appeal No. 518 of 2005 / Civil Appeal No. 519 of 2005 / Civil Appeal No. 520 of 2005 / Civil Appeal No. 521 of 2005 / Civil Appeal No. 526 of 2005 / Civil Appeal No. 527 of 2005 / Civil Appeal No. 528 of 2005 / Civil Appeal No. 529 of 2005 / Civil Appeal No. 530 of 2005 / Civil Appeal No. 534 of 2005 / Civil Appeal No. 535 of 2005 / Civil Appeal No. 536 of 2005 / Civil Appeal No. 537 of 2005 / Civil Appeal No. 538 of 2005 / Civil Appeal No. 539 of 2005 / Civil Appeal No. 540 of 2005 / Civil Appeal No. 541 of 2005 / Civil Appeal No. 542 of 2005 / Civil Appeal No. 543 of 2005 / Civil Appeal No. 544 of 2005 / Civil Appeal No. 546 of 2005

PROPOSITION-SPECIFIC SOURCE PARAGRAPHS AND PDF PAGES

1.

Topic: Identity and complete appeal inventory

Source url: [Open cited source](#)

Pdf pages: 1; 5

Paragraphs: Cover; jurisdiction at SCR 306 D-E; judicial opening at 306 G-H

Source role: reported metadata and judicial text

2.

Topic: Employment contract, relevant years and procedural history

Source url: [Open cited source](#)

Pdf pages: 5; 6; 7

Paragraphs: Unnumbered judicial text; SCR 306 G-308 F

Source role: judicial text

3.

Topic: 1983 statutory test and field-break application

Source url: [Open cited source](#)

Pdf pages: 7; 8; 9

Paragraphs: Unnumbered judicial text; SCR 308 G-310 B

Source role: judicial text

4.

Topic: 1999 amendment, circular and interpretation

Source url: [Open cited source](#)

Pdf pages: 9; 10; 11; 12

Paragraphs: Unnumbered judicial text; SCR 310 C-313 A

Source role: judicial text with embedded statutory circular and precedent quotations

5.

Topic: Question not decided and final relief

Source url: [Open cited source](#)

Pdf pages: 12

Paragraphs: Unnumbered final three paragraphs; SCR 313 A-D

Source role: judicial text

JUDICIAL AUTHORSHIP AND SEPARATE OPINIONS

Ruma Pal, J.

ACT IDENTIFIED IN THE REVIEWED SOURCE

Income-tax Act, 1961

SPECIFIED COMPARISONS AND THEIR LIMITS

1.

Kind: bounded identity and subject matter comparison only

Case id: sc-2017-10-30-sedco-forex-international

Case: Sedco Forex International Inc. v. Commissioner of Income Tax, Meerut & Anr.

Asset id: 2017_11_399_434

Source url: [Open cited source](#)

Source sha256: 235d8683ec7999452542409df017d38c8927a78335964a92926fd3a746d10d09

Source file bytes: 1145730

Source pdf pages: 36

Pdf pages: 1; 9; 35; 36

Actually read: 2017 cover and complete physical pages 9, 35 and 36, including paragraphs 1-2 and 49-51; cover and pages 35-36 visually checked. This pass does not claim a full reread of that 36-page judgment.

Finding: The 2017 judgment addresses section 44BB contractor receipts, includes fixed mobilisation fees, dismisses assessee appeals and separately dismisses Revenue's lost-tool compensation appeal. These are different parties/capacities, appeal units and questions from the 2005 employee-salary case.

Scope limit: Identity/subject distinction only. No assertion that the 2017 judgment considers, overrules or otherwise supplies later treatment of this 2005 holding.

SOURCE & VERIFICATION

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

Identified source rendition: 12 PDF pages; SHA-256

16b1251237a717316a86223ab8f876b364baa44e61a6fd284bf5bb9f873ec1a2. Original bytes preserved.

Complete unnumbered judicial text from Ruma Pal J.'s opening at physical page 5/SCR 306 G through the operative ending on physical page 12/SCR 313 C-D. Physical pages 1-5 before the judicial opening contain editorial headnote, jurisdiction and appearances. Statutory, circular and precedent quotations are attributed; no adjacent judgment.

[Open cited source rendition](#)

Both years are expressly identified in the judicial issue on physical page 6/SCR 307 D. The report supplies no employee-by-employee or appeal-by-appeal allocation.

The complete reported jurisdiction block on physical page 5/SCR 306 D-E lists 131 appeals. The unusual placement of 545 before 502-511 is preserved in this inventory; omitted numbers are not filled in. The lead company acts as agent for the employee-assessee.

The source title abbreviates Drill. and the jurisdiction block lists a large connected batch. The employer is the agent; the assessed salary belongs to its employees. No employee names, salary amounts or year-to-appeal mapping are supplied.; The 1983 Explanation was introduced with effect from 1 April 1979. The 1999 substitution took effect from 1 April 2000; Circular 779 is quoted as applying it from AY 2000-01. Those dates perform different roles and are not silently conflated.; The Court expressly leaves unnecessary the question whether these particular UK activities constitute rest or leave under the substituted Explanation. Its expression of doubt is not an adjudicated post-2000 exemption.; Pgnatale, Goslino Mario and S.R. Patton are discussed as earlier authorities. In particular, the earlier S.R. Patton Supreme Court appeal is described as confined to a factual issue; the note does not invent a prior Supreme Court merits affirmance of every interpretive proposition.; There are no numbered judicial paragraphs in this reported rendition. Headnote numbering is editorial and is not used as judicial paragraph numbering.

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: 12](#)

SHA-256: 16b1251237a717316a86223ab8f876b364baa44e61a6fd284bf5bb9f873ec1a2

[bounded identity and subject matter comparison only - PDF pages: 36](#)

SHA-256: 235d8683ec7999452542409df017d38c8927a78335964a92926fd3a746d10d09

[Related note: Sedco Forex International Inc. Through It's Constituted Attorney Mr. Navin Sarda v. Commissioner of Income Tax, Meerut & 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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