

Commissioner of Income Tax v. Willamson Financial Services and Ors.

Civil Appeal Nos. 3803-3808 of 2005 and connected proceedings (full list below)

[2007] 13 (Addl.) SCR 376 | 2007-12-12

Does section 80HHC apply to the whole composite income from tea grown and manufactured by the assessee before rule 8 apportionment, or only after identifying its 40% taxable business-income component?

2(1A) | 2(24) | 2(45) | 10(1) | 14 | 80A | 80B(5) | 80HHC(1) | 80HHC(3)(a) | 295(2)(b)

Two-judge bench | S.H. Kapadia, J. | B. Sudershan Reddy, J.

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

Tea allocation first; assumed figures contain a printed mismatch

The holding concerns historical section 80HHC after rule 8 allocation of integrated tea income, not all business allowances. The numerical examples are assumed, and paragraph 33 has a printed formula/result mismatch. Gauhati judgments were set aside while the Calcutta judgment was affirmed. No assessment-year list, current-law status or comprehensive later treatment is certified.

01 FACTS OF THE CASE

The assessees grew, manufactured and exported tea. Their integrated sale income attracted rule 8(1). In the lead group they claimed section 80HHC against the entire composite income before the 60:40 allocation. The Assessing Officer applied the allocation first, CIT(A) reversed, the Tribunal restored the officer's approach, and the Gauhati High Court again favoured deduction before allocation. The connected batch also included Warren Tea appeals from a Calcutta High Court judgment taking the opposite position (paragraphs 2-8 and 46).

The monetary examples in paragraphs 30-34 are expressly assumed illustrations. They are not taxpayer-specific assessed profits or an award of the stated deduction amounts.

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

02 DISCUSSION BY THE HON'BLE COURT

The Court distinguished agricultural income excluded from total income under section 10(1) from income entering the tax computation but attracting a special Chapter VI-A deduction. The constitutional definition of agricultural income incorporates the relevant income-tax enactments and rules. Rule 8 supplies the allocation for the particular integrated tea activity: the 60% agricultural component is outside the central income-tax charge, and the 40% business component is chargeable (paragraphs 21-29).

The rule speaks of income, rather than total income, and computes the composite amount as if derived from business so the agricultural and non-agricultural elements can be separated. That limited fiction cannot be extended into section 80HHC(3)(a) to obtain a deduction by reference to the exempt agricultural component. Thus, in the simplified illustration, the eligible business-profit base is Rs.20 lakh out of composite income of Rs.50 lakh; in the larger illustration it is Rs.6.42 crore out of Rs.16.05 crore (paragraphs 35-40).

The Court independently explained that Chapter VI-A deductions are made from gross total income as defined by section 80B(5), rather than constituting allowances in computing a particular head of income. It distinguished the section 72 adjustment discussed in *Cambay Electric*, the ordinary computation allowance in *Karim Tharuvi Tea Estates*, and *Tata Tea's* issue. Those discussions do not treat every statutory deduction or allowance as subject to the same sequencing rule (paragraphs 41-44).

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

03 JUDICIAL DECISION

Section 80HHC deduction was to be allowed after rule 8(1) apportionment. The specified Gauhati High Court judgments were set aside; the Calcutta High Court judgment in *Warren Tea*, Civil Appeal Nos. 6719-6720/2004, was affirmed. The issue was answered for Revenue and against the assesseees, and the batch disposed of without costs. The Court did not direct a remand or award a taxpayer-specific deduction amount (paragraphs 45-46).

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

04 OUTCOME / IN WHOSE FAVOUR

In whose favour: Revenue on the common sequencing issue

Gauhati judgments set aside; Calcutta judgment in the *Warren Tea* appeals affirmed; batch disposed of without costs

Final determination that the historical section 80HHC deduction follows rule 8 allocation

Tea grown and manufactured by the seller within rule 8; no deduction against the exempt agricultural share, no taxpayer-specific quantified award and no ruling that every ordinary business allowance follows the same sequence.

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

05 AKHB REVIEW POINT

Keep three stages separate: computing composite tea income under the rule, identifying the taxable business-income share, and applying the relevant Chapter VI-A export deduction. The 40% is an income-allocation fraction, not a tax rate. Verify that the taxpayer actually carries on the integrated growing-and-manufacturing activity before using this rule.

The assumed tables explain the deduction base. Paragraph 33's printed numerator conflicts with its stated result and preceding Rs.20-lakh base; do not turn the printed formula into a reusable calculator or treat either illustration as the actual assessment.

In an expressly bounded later comparison, Doom Dooma India paragraph 17 distinguished this Chapter VI-A question from depreciation allowances under sections 30-43D. Only that distinction is used here; the separate historical WDV ruling and its later statutory history are not certified. Comprehensive later treatment and any Income-tax Act, 2025 mapping remain unverified.

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

APPEAL AND PROCEEDING NUMBERS

Civil Appeal Nos. 3803-3808 of 2005 / Civil Appeal No. 1021 of 2006 / Civil Appeal Nos. 6719-6720 of 2004 / Civil Appeal No. 1825 of 2007 / Civil Appeal No. 1827 of 2007 / Civil Appeal No. 5827 of 2007 (jurisdiction list; operative text identifies SLP(C) No. 2275 of 2007 with converted number blank)

PROPOSITION-SPECIFIC SOURCE PARAGRAPHS AND PDF PAGES

1.

Topic: Identity, case list and lead history

Source url: [Open cited source](#)

Pdf pages: 1; 6; 7

Paragraphs: Cover; jurisdiction; 1-8

Source role: reported metadata and judicial text

2.

Topic: Historic statutory and constitutional context

Source url: [Open cited source](#)

Pdf pages: 11; 12; 13; 14; 15; 16; 17; 18; 19; 20

Paragraphs: 10-29

Source role: judicial text

3.

Topic: Assumed computations and printed arithmetic mismatch

Source url: [Open cited source](#)

Pdf pages: 20; 21; 22

Paragraphs: 30-34

Source role: judicial text

4.

Topic: Limited fiction and deduction base

Source url: [Open cited source](#)

Pdf pages: 22; 23; 24; 25

Paragraphs: 35-40

Source role: judicial text

5.

Topic: Chapter VI-A distinction and separate dispositions

Source url: [Open cited source](#)

Pdf pages: 25; 26; 27

Paragraphs: 41-46

Source role: judicial text

6.

Topic: Bounded later distinction from ordinary depreciation allowances

Source url: [Open cited source](#)

Pdf pages: 10; 11

Paragraphs: Doom Dooma 17

Source role: bounded later judicial comparison

ADDITIONAL STATUTORY CONTEXT, NOT SEPARATE HOLDINGS

80hhc and chapter vi-a: Historical export deduction from gross total income after rule 8 apportionment

Rule 8(1), income-tax rules, 1962: Composite sale income from tea grown and manufactured by the seller in India; 60% agricultural and 40% taxable business allocation

Constitution: Article 366(1), Article 246 and Seventh Schedule, List I Entry 82 and List II Entry 46; division of agricultural-income taxing power

JUDICIAL AUTHORSHIP AND SEPARATE OPINIONS

S.H. Kapadia, J.

ACT IDENTIFIED IN THE REVIEWED SOURCE

Income-tax Act, 1961

ALTERNATIVE REPORTED TITLE SPELLING

Williamson Financial Services

SOURCE & VERIFICATION

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

Identified source rendition: 27 PDF pages; SHA-256

6cf9317c195a611e74e7692ba7ae1cbc33ad2ca9af3da17965358301b98d5572. Original bytes preserved.

Judicial paragraphs 1-46 on physical PDF pages 6-27 (SCR 381-402), fully read, including submissions, statutory extracts and assumed computation illustrations. Pages 1-5 and opening of 6 are editorial/report material. No adjacent judgment.

Open cited source rendition

No numerical assessment years are identified in the bounded judicial text; no years are inferred from appeal numbers or the assumed examples.

The preserved title spells the name Williamson; Williamson is retained only as a searchable alias.; The judicial text states no numerical assessment years.; Paragraph 12 calls the quoted rule Rule 24 of the 1961 Act; paragraph 22 correctly locates the predecessor rule under the 1922 Act. The note does not adopt the stray recital.; Paragraphs 30-34 expressly use assumptions. Physical page 22 prints $50 \times 100 / 200 = \text{Rs.10 lakh}$; that displayed arithmetic conflicts with itself, while paragraph 33 identifies an apportioned business-profit base of Rs.20 lakh and paragraph 34 repeats the Rs.10-lakh deduction. This is a source-level discrepancy, not silently repaired source text.; The final paragraph leaves the converted appeal number from SLP(C) 2275/2007 blank; the jurisdiction list includes CA 5827/2007.; The batch has distinct procedural results: Gauhati judgments set aside and Calcutta judgment affirmed. It must not be described as every appeal allowed.

STATUTORY SCOPE

Current statutory equivalence and 2025 Act applicability have not been verified.

LATER TREATMENT

Source checked 2026-10-04. No comprehensive subsequent judicial or statutory audit. Only the expressly identified, actually read bounded comparisons are recorded; no current-law or Income-tax Act, 2025 certification.

IDENTIFIED SOURCE LINKS

reported judgment - PDF pages: 27

SHA-256: 6cf9317c195a611e74e7692ba7ae1cbc33ad2ca9af3da17965358301b98d5572

bounded comparison judgment - PDF pages: 11

SHA-256: 3ba098c35e23e40e5bcd8db4abc132490c4266a4bb133d5a83084fe3f7f029b9

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