

Union of India and Another v. Belgachi Tea Co. Ltd. and Others

Civil Appeal Nos. 8284-8285 of 2002 with Civil Appeal No. 8283 of 2002

[2008] 8 SCR 51 | 2008-05-09

Allocation of composite tea income and separate treatment of receipts from direct sale of green tea leaves

Income-tax Act, 1961: section 2(1A) | Income-tax Rules, 1962: rule 8 | Bengal Agricultural Income-tax Act, 1944: section 8 | Constitution of India: article 366(1); Seventh Schedule, List I, entry 82 and List II, entry 46

Two-judge bench; judgment delivered by Dalveer Bhandari, J. | Dalveer Bhandari, J. | H. S. Bedi, J.

Historical ruling; verify current law

The decision applies the 1944 Bengal Act, rule 8 and the identified assessment years. It does not certify current State agricultural-tax law, expense allocation or every tea-business receipt.

01 FACTS OF THE CASE

Belgachi grew tea, manufactured tea in its factory and also sold green leaves directly. It contended that all income should first be assessed centrally and split 40:60. The High Court followed Tata Tea: mixed grown-and-manufactured tea income was split, while direct green-leaf sale income was agricultural income under the State Act.

Source: [Primary judgment: facts and procedural setting](#)

02 DISCUSSION BY THE HON'BLE COURT

Rule 8 and section 8 addressed mixed income from the combined activities of growing and manufacturing tea, where common expenses made segregation impracticable and only one income computation should precede the 40:60 allocation. Direct green-leaf sale receipts were different: they came from an agricultural product and could not become incidental business income merely because the same assessee also manufactured tea. The State officer had to use the central assessment for the 60% composite share without permitting duplicate expense deductions.

Source: [Primary judgment: reasoning](#)

03 JUDICIAL DECISION

The Court upheld the High Court's three-part approach: central assessment of grown-and-manufactured tea income, 40% central and 60% State taxation of that amount, and State taxation of direct green-leaf sale income.

Source: [Primary judgment: holdings](#)

04 OUTCOME / IN WHOSE FAVOUR

Appeals disposed of; the assessing officer was directed to frame or replace contrary assessments under Tata Tea as expeditiously as possible. Parties bore their own costs.

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

05 AKHB REVIEW POINT

AKHB analysis: classify each tea receipt before applying the composite rule. The 40:60 split attaches to tea grown and manufactured, not automatically to separately sold green leaves; reconcile central and State computations so the same income or expense is not counted twice.

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

SOURCE & VERIFICATION

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

Complete 14-page SCR report read in page-preserving text and every page image inspected, from the reported opening page through the operative disposition.

[Open cited source rendition](#)

Exact catalogue SHA-256 and 14-page count verified; every page was read and visually inspected.

STATUTORY SCOPE

Historical statutory provisions are described as they appeared in the report. Verify the current enactment, amendments and later judicial treatment before reliance.

LATER TREATMENT

Source checked 2026-10-12. No comprehensive later-treatment or present-law clearance is represented. The note reports the historical statutory text and result in this primary report only.

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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