

Assistant Commissioner of Agricultural Income Tax & Others v. M/s. Netley 'B' Estate & Others

Civil Appeal Nos. 8617-8635 of 2003

[2015] 3 SCR 630 | 2015-03-17

Karnataka agricultural income tax: a retrospective deeming provision validly continued dissolved firms for assessment of pre-dissolution crop income received later.

Karnataka Agricultural Income Tax Act, 1957: sections 26(4) and 27 | Constitution of India: Articles 245 and 246; Seventh Schedule legislative competence (validation-law principles)

2-judge bench | A. K. Sikri, J. | Rohinton Fali Nariman, J.

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

Historical State agricultural tax

The ruling interprets Karnataka agricultural-income-tax provisions and a retrospective amendment effective from 1 April 1975; do not transpose it to a current dissolution assessment without independent verification.

01 FACTS OF THE CASE

The dispute concerned agricultural income earned through crop transactions before a firm's dissolution but actually received afterward. In L.P. Cardoza the Karnataka High Court had held that the then sections 26(4) and 27 did not deem a dissolved firm to continue for assessment of such later receipts. The legislature subsequently amended section 26(4), with effect from 1 April 1975, to cover dissolution and added an explanation deeming the firm to exist for assessing qualifying pre-dissolution crop income received or receivable later. A Single Judge upheld the change; the Division Bench, treating it as an unconstitutional attempt to undo Cardoza, struck it down. Revenue appealed.

Source: [Statutory background and proceedings: paras 1-14, SCR pp.632-640](#)

02 DISCUSSION BY THE HON'BLE COURT

The Court held that the amendment repaired the exact basis of Cardoza: it added dissolution to the main provision and created a legal fiction under which the dissolved firm continued for the limited assessment purpose. A competent legislature may retrospectively alter the legal foundation so that the earlier decision would not have followed under the changed law; it may not simply declare a judicial decision overruled. Cawasji was distinguished because that statute had steeply increased a tax rate without curing the identified defect. The explanation here furthered, rather than enlarged beyond or defeated, the amended main provision. Decisions concerning delegated legislation, withdrawal of vested relief and explanations inconsistent with their principal provisions did not apply.

Source: [Validation-law analysis: paras 17-22, SCR pp.643-649](#); [Respondents' remaining arguments: paras 23-25, SCR pp.649-651](#)

03 JUDICIAL DECISION

The Supreme Court upheld the retrospective provision. From 1 April 1975, a dissolved firm could be deemed to continue for levy and collection of agricultural income tax on income received after dissolution but attributable to pre-dissolution transactions. The Division Bench judgment dated 3 July 2002 was set aside, Revenue's appeals were allowed and no costs were ordered.

Source: [Core holding: para 18, SCR p.644](#); [Operative order: para 26, SCR p.651](#)

04 OUTCOME / IN WHOSE FAVOUR

In favour of Revenue/State. The retrospective assessment fiction survived constitutional challenge, and the Division Bench decision against it was set aside. The Supreme Court finally allowed the appeals without remand and without costs.

Source: [Final result: para 26, SCR p.651](#)

05 AKHB REVIEW POINT

AKHB analysis: for a dissolved-entity assessment, separate four questions-when the income was earned, when it was received or became receivable, who the statute names as assessee, and whether an express continuation fiction applies. When an amendment follows an adverse judgment, test whether it cures the identified legal foundation and lies within legislative competence, rather than relying on its retrospective label alone. This case addresses one historical State enactment and does not by itself answer current income-tax, partnership or winding-up questions.

Source: [Defect and cure: paras 7-11](#)

SOURCE & VERIFICATION

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

Full 22-page SCR report read. Editorial headnote on PDF pages 1-3 was distinguished from the numbered judicial text beginning on PDF page 3 (SCR p.632).

[Open cited source rendition](#)

Exact bytes, SHA256 and 22-page count match catalogue asset 2015_3_630_651. All pages were read.

The parties, 17 March 2015 date, two-judge bench, Civil Appeal Nos. 8617-8635 of 2003 and [2015] 3 SCR 630 citation were verified from the report.

The judgment contains numbered paragraphs 1-26. SCR and PDF page references accompany the pinpoints.

The report describes the retrospective change as a 1997 amendment effective from 1 April 1975; the exact amending-act number is not printed in the judicial text and is not supplied from inference.

STATUTORY SCOPE

The holding concerns the Karnataka Agricultural Income Tax Act and a 1997 amendment expressly operating from 1 April 1975. It does not establish the present tax treatment of dissolved firms under other enactments.

LATER TREATMENT

Source checked 2026-10-10. Comprehensive subsequent treatment and current statutory equivalents have not been checked. No current-law or citator clearance is represented.

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