

Union of India & Ors. v. M/s. Tata Tea Co. Ltd. & Anr.

Civil Appeal No. 9178 of 2012 / Civil Appeal No. 9179 of 2012 / Civil Appeal No. 9180 of 2012
[2017] 12 SCR 655 | 2017-09-20

Whether historical section 115-O exceeded Parliament's competence by taxing dividends paid out of a tea company's composite agricultural/business profits, and whether the levy had to be confined to the 40% fraction taxable under rule 8.

115-O(1)-(3), historical Finance Act 1997 text | 2(1A) | 2(24)(ii)

2-judge bench; one opinion | A.K. Sikri, J. | Ashok Bhushan, J.

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

IMPORTANT: HISTORICAL DDT REGIME; RULE 8 FRACTION DOES NOT LIMIT THE DIVIDEND LEVY

This decision upholds the Finance Act 1997 section 115-O regime and rejects a 40% agricultural-income-based limitation on dividend-distribution tax. It leaves ordinary rule 8 computation of tea income intact and is not a DTAA-rate ruling. Its quoted 10% rate is historical, not a present rate. Finance Act 2020 section 59 later inserted a cutoff of 31 March 2020 in section 115-O(1), with effect from 1 April 2021; distinguish the dividend cutoff from that statutory effective date. The frozen source is a preserved eSCR-mirror report, with a separate official web-text identity check, not newly authenticated signed-original bytes. Broader later treatment, present effectiveness, treaty application and Income-tax Act 2025 mapping remain NOT VERIFIED.

01 FACTS OF THE CASE

These three connected appeals challenged or defended the constitutional validity and reach of section 115-O, inserted by the Finance Act, 1997. The tea businesses grew leaves in their gardens and processed/manufactured tea in their own factories for sale. Their contention was that 60% of the composite income was agricultural, reserved to the States, and that a Union tax on dividends drawn from those profits impermissibly taxed that component (paragraphs 1-8; physical 5-8/SCR 659 F-662 B).

Civil Appeal Nos. 9178 and 9180 of 2012 were Union appeals against the Calcutta High Court's common judgment of 28 July 2006. In the proceedings described in paragraph 2, Tata Tea and others had filed W.P. No. 1699 of 2000; a Single Judge dismissed the challenge on 20 September 2001. The Division Bench upheld section 115-O but set aside the Single Judge's order and added a limitation: additional tax was payable only on 40% of the dividend. Its illustration used Rs. 50 of dividend and Rs. 20 as the 40% portion, alongside ordinary income tax on Rs. 40. Those are the lower court's illustrative amounts, not a quantified demand or the Supreme Court's final computation. The appellate recital separately identifies APO No. 64 of 2002 (W.P. No. 794 of 2001). Both recitals are retained rather than silently choosing one writ number for the whole group (physical 5-7/SCR 659 D-661 B).

Civil Appeal No. 9179 of 2012 was the writ petitioner's appeal from the Gauhati High Court dismissal of W.P.(C) No. 3827 of 2000 on 22 June 2007. That petitioner grew green leaves, manufactured black tea and sold it domestically and abroad, and specifically challenged section 115-O(1) and (3). The official SCI web-derived cover identifies the parties as George Williamson (Assam) Ltd. v. Union of India & Ors.; it identifies the 9180 respondent as Apeejay Surrendra Corporate Service Ltd. These cover names supplement the frozen report's connected docket list without altering its frozen identity. No assessment years or actual disputed dividend totals are stated (paragraphs 1 and 4-6; physical 5-7/SCR 659 F-661 F; official cover, physical page 1).

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

02 DISCUSSION BY THE HON'BLE COURT

Ashok Bhushan J.'s single opinion first set out the historical charging scheme. The section 115-O(1) text inserted in 1997 applied additional income tax at 10% to dividends declared, distributed or paid by a domestic company on or after 1 June 1997, out of current or accumulated profits. Subsection (2) required that tax even if no tax was payable on the company's computed total income. Subsection (3) made the company and principal officer liable to pay within fourteen days of declaration, distribution or payment, whichever occurred first. These are the version and figures reproduced for the constitutional issue; no later rate or current due date is inferred (paragraph 10; physical 8-9/SCR 662 C-663 A).

The Court located the taxing fields in Article 246 and the Seventh Schedule: List I Entry 82 concerns income taxes other than agricultural-income taxes, while List II Entry 46 covers taxes on agricultural income. Article 366(1) links agricultural income to the income-tax enactments, now section 2(1A) of the 1961 Act. Section 2(24) inclusively defines income and expressly includes dividends. Legislative entries are fields, not grants to be construed narrowly, and extend to their ancillary and subsidiary matters (paragraphs 12-18; physical 9-11/SCR 663 D-665 B).

For overlap the Court applied pith and substance, using A.L.S.P.P.L. Subrahmanyam Chettiar, Prafulla Kumar Mukherjee, Kartar Singh and Shah Govedhan L. Kabra Teachers' College. Their passages require identifying the enactment's true nature, object, scope and effect, reconciling entries and allowing merely incidental encroachment. These are constitutional authorities applied to the present tax provision, not separate dispositions of those earlier controversies. Section 115-O concerns the declaration, distribution or payment of dividends. In substance it falls within Entry 82; it is not directly a tax on agricultural income. Even assuming some encroachment on Entry 46, that effect is incidental and does not invalidate the levy (paragraphs 19-25; physical 11-16/SCR 665 B-670 B).

The remaining question was the Calcutta High Court's 40% rider. Rule 8(1) computes income from tea grown and manufactured by the seller in India as business income and treats 40% as taxable. Rule 8(2), also reproduced, permits the specified replacement-bush planting allowance, without reducing that cost by the section 10(30) subsidy identified in the rule. The Court expressly accepted the rule's ordinary computation function; it did not rework the tea business assessment or decide a disputed replacement allowance. The question was whether that fraction also limited the separate tax on dividends (paragraphs 26-27; physical 16/SCR 670 C-G).

Bacha F. Guzdar had considered dividends in a shareholder's hands, under the 1922 Act, rather than the present company levy. The Court nevertheless applied its source-character reasoning: a dividend arises from the share investment and company-shareholder relationship, not the recipient's direct relationship to agricultural land. Nalin Behari Lal Singha similarly states that a distribution does not retain the character of the profits out of which it came. The Court acknowledged that the earlier dividend tax was in shareholders' hands and the 1997 additional tax was imposed on the company; that difference did not

02 DISCUSSION BY THE HON'BLE COURT

justify carrying the company's agricultural character into its declared dividend. The Rs. 2,750 quoted in the Guzdar reference belongs to that earlier case, not these appeals (paragraphs 28-33; physical 16-19/SCR 670 H-673 E).

Consequently Parliament had competence to enact the provision as it stood, and a judicially imposed 40% dividend cap would alter section 115-O without warrant. Once the High Court upheld its vires, the extra rider was unnecessary and impermissible. This does not remove rule 8's 40% computation for the company's tea income; it prevents importing that computation fraction into the distinct historical dividend levy (paragraph 34; physical 19/SCR 673 F).

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

03 JUDICIAL DECISION

Civil Appeal Nos. 9178 and 9180 of 2012, filed by the Union, were allowed. Civil Appeal No. 9179 of 2012, filed by the writ petitioner from Gauhati, was dismissed. The Supreme Court upheld section 115-O's legislative competence and rejected the Calcutta High Court's limitation to 40% of the dividend. It did not remand, quantify a demand or award a refund. The Supreme Court's final paragraph contains no costs direction; the words disposing of appeals without costs appear in the earlier Calcutta order quoted in paragraph 2 and must not be misattributed to the Supreme Court (paragraphs 34-35; physical 19/SCR 673 F-G).

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

04 OUTCOME / IN WHOSE FAVOUR

In whose favour: Union of India/Revenue in all three appeals

Union appeals 9178/2012 and 9180/2012 allowed; company appeal 9179/2012 dismissed

Reasoned final constitutional and substantive determination; no remand

Historical section 115-O competence and rejection of the agricultural-income-based 40% dividend cap; ordinary rule 8 computation left intact

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

05 AKHB REVIEW POINT

Keep the two taxable events separate. The company's composite growing/manufacturing income is computed under rule 8; its later dividend distribution was subject to the distinct historical section 115-O charge. Do not multiply the dividend base by 40% merely because the company has 60% agricultural income. Equally, do not describe this result as Parliament acquiring an unrestricted power to tax agricultural income: the reasoning depends on the character of dividend distribution and the pith and substance of this provision.

The judgment quotes the 1997 enactment, including a 10% rate and fourteen-day payment provision. Those figures must not be lifted into another year's computation. A separately read retained Gazette copy of Finance Act 2020, Act 12 of 2020, section 59, inserts the 31 March 2020 dividend cutoff into section 115-O(1), with effect from 1 April 2021. That dated amendment demonstrates a material later change; it is not a complete amendment-history, transitional or present-law audit.

This decision did not decide a DTAA rate claim, every question about the legal incidence of DDT, or section 80HHC sequencing. Do not conflate it with the 2007 Williamson Financial Services decision or the 1988 Tata Tea agricultural-tax decision cited there. Bounded later-treatment searches found a Total Oil Special Bench lead bearing on proposed treaty extrapolations, but the complete official judicial text was not obtained; no later holding is asserted here from its snippet. Broader later treatment, current-law status and 2025 Act mapping remain not verified.

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

DETAILED DISPOSITION AND CONNECTED GROUPS

Costs: No Supreme Court costs direction recorded; quoted Calcutta no-costs disposal is not the Supreme Court operative order

Monetary effect: No actual tax demand, refund, interest or costs quantified; rupee examples belong to the quoted Calcutta reasoning or cited Guzdar case

Proceeding outcomes

1.

Case number: Civil Appeal No. 9178 of 2012

Parties: Union of India & Ors. v. M/s. Tata Tea Co. Ltd. & Anr.

Appellant role: Union/Revenue

Assessment years:

Underlying proceeding: Calcutta High Court common judgment dated 28 July 2006; appellate recital names APO 64/2002 (W.P. 794/2001), while paragraph 2 also discusses W.P. 1699/2000 and Single Judge order dated 20 September 2001

Outcome: Allowed; 40% limitation on additional dividend tax rejected

Pinpoint: Paragraphs 1-3 and 35; physical 5-7 and 19/SCR 659-661 and 673 G

2.

Case number: Civil Appeal No. 9179 of 2012

Parties: M/s. George Williamson (Assam) Ltd. v. Union of India & Ors.

Appellant role: Tea-company writ petitioner

Assessment years:

Underlying proceeding: Gauhati High Court, W.P.(C) 3827/2000, judgment/order dated 22 June 2007

Outcome: Dismissed; constitutional challenge fails

Pinpoint: Paragraphs 1, 4-6 and 35; physical 5-7 and 19/SCR 659-661 and 673 G; party name corroborated by official SCI web-derived cover page 1

3.

Case number: Civil Appeal No. 9180 of 2012

Parties: Union of India & Ors. v. M/s. Apeejay Surrendra Corporate Service Ltd.

Appellant role: Union/Revenue

Assessment years:

Underlying proceeding: Calcutta High Court common judgment dated 28 July 2006

Outcome: Allowed; 40% limitation on additional dividend tax rejected

Pinpoint: Paragraphs 1, 3 and 35; physical 5-7 and 19/SCR 659-661 and 673 G; party name corroborated by official SCI web-derived cover page 1

PROPOSITION-SPECIFIC SOURCE PARAGRAPHS AND PDF PAGES

1.

Topic: Reported identity, bench and all three appeals

Source url: [Open cited source](#)

Pdf pages: 1; 5

Paragraphs: Cover; appellate recital at SCR 659 D-F

Source role: reported identity and appellate recital

2.

Topic: Procedural paths and competing positions

Source url: [Open cited source](#)

Pdf pages: 5; 6; 7; 8

Paragraphs: Paragraphs 1-9; SCR 659 F-662 C

Source role: judicial text

3.

Topic: Historical charging provision

Source url: [Open cited source](#)

Pdf pages: 8; 9

Paragraphs: Paragraph 10; SCR 662 C-663 A

Source role: judicial text

4.

Topic: Constitutional entries and income definition

Source url: [Open cited source](#)

Pdf pages: 9; 10; 11

Paragraphs: Paragraphs 12-18; SCR 663 D-665 B

Source role: judicial text

5.

Topic: Pith and substance and competence holding

Source url: [Open cited source](#)

Pdf pages: 11; 12; 13; 14; 15; 16

Paragraphs: Paragraphs 19-25; SCR 665 B-670 B

Source role: judicial text

6.

Topic: Rule 8 retained, dividend character examined

Source url: [Open cited source](#)

Pdf pages: 16; 17; 18; 19

Paragraphs: Paragraphs 26-33; SCR 670 C-673 E

Source role: judicial text

7.

Topic: 40% rider rejected and all three dispositions

Source url: [Open cited source](#)

Pdf pages: 19

Paragraphs: Paragraphs 34-35; SCR 673 F-G

Source role: judicial text

AMOUNTS AND THEIR DISTINCT REPORTED ROLES

1.

Amount: Rs. 50; Rs. 20; Rs. 40

Role: Calcutta High Court illustration of dividend, 40% dividend base and ordinary taxable income; its restriction is rejected

Pinpoint: Paragraph 2 quotation; physical 6/SCR 660 F-H

2.

Amount: Rs. 2,750

Role: Dividend figure in the Bacha F. Guzdar reference quoted by this Court, not a sum disputed in the present appeals

Pinpoint: Paragraph 28; physical 17/SCR 671 B-C

3.

Amount: 10%

Role: Historical rate in the section 115-O text inserted in 1997 and quoted for the constitutional challenge

Pinpoint: Paragraph 10; physical 8/SCR 662 D-E

4.

Amount: 40% / 60%

Role: Business/agricultural split advanced for composite tea income; 40% dividend cap rejected

Pinpoint: Paragraphs 7, 26-27 and 34; physical 7,16,19/SCR 661,670,673

QUANTIFICATION AND MONETARY LIMITS

The judgment does not state an assessment year, actual dividend total, tax demand, refund or Supreme Court costs sum. Quoted illustrations and precedent amounts are not party liabilities.

REPORTED SOURCE ANOMALIES AND THEIR LIMITS

The frozen title/docket lists only leading Civil Appeal 9178/2012; the report includes 9179 and 9180/2012, and the official web-derived cover supplies companion party names. These are separate verified identity additions, not alterations to frozen metadata.; The appellate recital gives APO 64/2002 (W.P. 794/2001); paragraph 2 describes W.P. 1699/2000 among several writs. The note retains both as source-specific recitals without inventing a single unified lower docket.; OCR often renders section 115-O with zero. The note uses the letter O, without changing the preserved PDF.; The 10% rate and 1 June 1997 date are from the historical provision quoted in paragraph 10, not a statement of the rate or full regime in 2017 or 2026.; The Calcutta no-costs wording at physical 7 is quoted lower-court text. Paragraph 35 provides no separate Supreme Court costs order.; Willamson Financial Services (2007) and Tata Tea (1988) are different judgments. A prior note citing the earlier Tata Tea authority does not own this 2017 source.

ADDITIONAL STATUTORY CONTEXT, NOT SEPARATE HOLDINGS

Income-tax Rules, 1962, rule 8(1)-(2); Constitution of India, Articles 246 and 366(1), Seventh Schedule List I Entry 82 and List II Entry 46; Finance Act, 1997, insertion of Chapter XII-D; Income-tax Act, 1922, section 4(3)(viii), in the cited Bacha F. Guzdar decision only; Section 10(30), appearing inside quoted rule 8(2); no independent subsidy issue decided

JUDICIAL AUTHORSHIP AND SEPARATE OPINIONS

Ashok Bhushan, J., for the Court

ACT IDENTIFIED IN THE REVIEWED SOURCE

Income-tax Act, 1961

SPECIFIED STATUTORY CHECKS AND THEIR LIMITS

1.

Source: Finance Act 2020, Act 12 of 2020, section 59

Url: [Open cited source](#)

Source sha256: 2608fdf5eabdb4d1f99132cf1905546940946f6b616e593bb862b9fc488435d2

Access date: 2026-10-06

Version: Gazette Act assented to and published 27 March 2020

Pinpoint: Physical/printed page 1, identity and commencement; physical/printed page 36, section 59

Result: Section 59 inserts in section 115-O(1), after the 1 April 2003 wording, the cutoff on or before 31 March 2020, with effect from 1 April 2021. This later enacted cutoff is established from the selected text and images. The entire Act, all prior/intervening amendments and later savings/current applicability are not certified.

Status: bounded enacted amendment checked

SPECIFIED LATER TREATMENT CHECKS AND THEIR LIMITS

1.

Source: Bounded exact-title/citation and adverse-treatment searches

Access date: 2026-10-06

Queries: site.sci.gov.in "Tata Tea" "115-O"; "Tata Tea" "115-O" "overruled"; "Tata Tea" "398 ITR 260" "distinguished"; "Tata Tea" "398 ITR 260" "overruled" Supreme

Result: Searches yielded the target and later DDT/treaty-debate leads. This is a bounded search, not proof of continuing authority, absence of later adverse treatment or a verified later disposition.

Status: search only not verified

2.

Source: DCIT v. Total Oil India Pvt. Ltd., official ITAT Special Bench PDF search lead

Url: [Open cited source](#)

Access date: 2026-10-06

Result: Search excerpts suggest later discussion limiting extrapolation of Tata Tea to treaty-rate/incidence disputes. No raw PDF was retained; the full official web open failed. Treat only as an unresolved research lead. No later legal holding, final appellate status or adverse treatment conclusion is adopted.

Status: unverified lead only

PDF TEXT-ONLY SOURCE CHECKS AND READING LIMITS

1.

Kind: official judgment web text

Source id: SCI TataTea 2017 cover identity

Source role: identity corroboration only

Url: [Open cited source](#)

Reported pdf pages: 32

Sha256: Not stated in the reviewed record

File bytes: Not stated in the reviewed record

Raw bytes retained: False

Access date: 2026-10-06

Web text pages read: 1

Physical image pages read:

Full document text read: False

Full bounded judicial text read: False

Read bounds: Official web-derived cover page identifies all three case numbers and companion party names, author and reportable label. Bounded identity corroboration only; not independent full-text, raw integrity, signature or image authentication. No raw PDF bytes were retained.

Source format: Official Supreme Court PDF-derived web text only; no retained PDF bytes or images

RETAINED PDF SOURCE CHECKS AND READING LIMITS

1.

Kind: official amending act

Source id: Finance Act 2020 section59

Source role: bounded statutory check

Title: Finance Act 2020, Act 12 of 2020, section 59

Url: [Open cited source](#)

Source file: auxiliary/Finance_Act_2020_GSTCouncil.pdf

Filename: Finance_Act_2020_GSTCouncil.pdf

Sha256: 2608fdf5eabdb4d1f99132cf1905546940946f6b616e593bb862b9fc488435d2

File bytes: 769691

Pdf pages: 87

Physical text pages read: 1; 36

Physical image pages read: 1; 36

Full document text read: False

Full bounded judicial text read: False

All document images read: False

Read bounds: Whole selected text pages and images 1 and 36, including Gazette identity, assent, commencement and section 59. The other 85 pages and complete amendment chain were not reviewed.

Provenance: Previously authorized retained official GST Council-hosted Gazette PDF reused locally; bytes, SHA-256 and 87-page count freshly verified. No fresh acquisition; original unchanged.

Access date: 2026-10-06

SOURCE & VERIFICATION

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

Identified source rendition: 19 PDF pages; SHA-256

0ea4d206e2edf194eedbb3c357514b34b136e7e1c8303201e85181d23cbdb50. Original bytes preserved.

[Open cited source rendition](#)

full primary text read: True; all primary page images reviewed: True; material primary page images reviewed: True; source integrity verified: True; actual statutory scope verified: True; all listed proceedings accounted for: True; all authored opinions separately accounted for: True; material later treatment limits prominent: True; comprehensive later treatment verified: False; current law verified: False; mapping 2025 verified: False; independent QA complete: True; parent full prose approval: True

Printed SCR citation, date, bench and all appeal numbers verified against full text and page images. Frozen INSC catalogue label remains unchanged as metadata; it is not authenticated here as a neutral citation.

No specific assessment year, assessed tax demand or dividend year is identified in the target constitutional appeals. The 1997 statutory starting date and writ/appeal years are not converted into inferred assessment years.

STATUTORY SCOPE

No Income-tax Act 2025 section-equivalence, commencement, transition, savings or automatic precedent carryover certified.

LATER TREATMENT

Source checked 2026-10-06. not_verified

IDENTIFIED SOURCE LINKS

[reported judgment - PDF pages: 19](#)

SHA-256: 0ea4d206e2edf194eedbb3c357514b34b136e7e1c8303201e85181d23cbdb50

[official judgment web text](#)

[official amending act - PDF pages: 87](#)

SHA-256: 2608fdf5eabdb4d1f99132cf1905546940946f6b616e593bb862b9fc488435d2

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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