

Jagdish Sugar Mills Ltd. v. The CIT, Lucknow

Civil Appeal No. 1348 (NT) of 1974 — Assessee appeal on two expressly confined auction-sale questions

[1986] 3 SCR 198 | 1986-07-16

The auction of the company's property to recover cane-cess arrears was a sale within section 10(2)(vii) of the Indian Income-tax Act, 1922. Under the applicable Uttar Pradesh revenue-sale rules, transfer occurred when the sale certificate issued on 4 July 1956, not at the November 1955 auction; the asserted pre-April-1956 escape from section 12B therefore failed (SCR 203-206).

Indian Income-tax Act, 1922 | 1922 Act: 10(2)(vii) | 1922 Act: 12B

2-judge bench | R.S. Pathak, J. | Sabyasachi Mukharji, J.

01 FACTS OF THE CASE

Decided 16 July 1986 in Civil Appeal 1348 (NT) of 1974, from Allahabad High Court's 7 January 1974 judgment in ITR 364 of 1971. Pathak J. delivered the sole judgment with Sabyasachi Mukharji J. The company, in liquidation, owed cane cess; its properties were auctioned on 10 November 1955. Objections delayed the certificate although the purchase price had been deposited. The assessment year was 1957-58 (SCR 200-203).

Source: [SCR 198-206; physical PDF pages 1-9](#)

02 DISCUSSION BY THE HON'BLE COURT

By voluntarily undertaking the regulated activity, the company subjected itself to the statutory cess and recovery framework. The Court found that consent was not altogether absent from this transaction. Separately, rule 285-M made the certificate itself the effective transfer. Section 341 applied the Civil Procedure Code only consistently with the land-reform statute, so section 65's relation-back rule could not displace that express mechanism (SCR 204-206).

Source: [SCR 198-206; physical PDF pages 1-9](#)

03 JUDICIAL DECISION

The auction of the company's property to recover cane-cess arrears was a sale within section 10(2)(vii) of the Indian Income-tax Act, 1922. Under the applicable Uttar Pradesh revenue-sale rules, transfer occurred when the sale certificate issued on 4 July 1956, not at the November 1955 auction; the asserted pre-April-1956 escape from section 12B therefore failed (SCR 203-206).

Source: [SCR 198-206; physical PDF pages 1-9](#)

04 OUTCOME / IN WHOSE FAVOUR

Revenue The appeal was dismissed with costs. Only the compulsory-sale and transfer-date arguments were before the Court. Earlier valuation and other objections are procedural history, not additional issues decided here (SCR 202-203, 206). Historical income-tax issue decided with the qualifications stated in this note No current-law or comprehensive later-treatment certification.

Source: [SCR 198-206; physical PDF pages 1-9](#)

05 AKHB REVIEW POINT

The operative tax provisions are the 1922 Act's sections 10(2)(vii) and 12B. The headnote's section 41(2), 1961 Act reference does not change that foundation. No present 1961/2025 mapping or later treatment is asserted. Source: supplied SCR report, [1986] 3 SCR 198-206. Page 1 lacks an embedded text layer, and the headnote's "1985" auction date conflicts with the judgment's 1955 date. The transfer holding is bounded by the particular statutory rules, not all auction sales.

Source: [SCR 198-206; physical PDF pages 1-9](#)

ASSESSMENT YEARS AND LIMITS

Years: 1957-58

Qualification: Only the assessment years material to the issue described are listed.

REPORTED CITATION

Supplied SCR report citation; no machine-generated neutral citation substituted.

SOURCE & VERIFICATION

[Original reported Supreme Court judgment](#)

Unchanged supplied SCR report; catalog identifies a CC-BY-4.0 public eSCR mirror. Not represented as a separately fetched official signed PDF. Pinpoints identify the supplied reported judgment. The editorial headnote and counsel submissions are distinguished from the Court's reasons; specific source defects and issue limits are stated in the note.

[Open cited source rendition](#)

Page 1 has no embedded text layer; the legible report image supplies its contents. The headnote prints 1985 for the auction, while the body repeatedly gives 1955. Section 41(2) of the 1961 Act appears in the headnote only.

STATUTORY SCOPE

Indian Income-tax Act, 1922. The historical operative enactment is identified. Source-discussed 1961 provisions are contextual unless expressly stated; no 2025 mapping is asserted.

LATER TREATMENT

Source checked 2026-10-09. Subsequent appeals, review proceedings, stays, reversals and later treatment have not been comprehensively checked. This is not a citator status certificate.

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