

## Tea Estate India (P) Ltd. v. Commissioner of Income-tax

Civil Appeal No. 1491 of 1971 — Assessee cross-appeal concerning ordinary accumulated profits / Civil Appeal No. 1693 of 1971 — Revenue cross-appeal concerning agricultural-land appreciation; same common judgment

[1976] Supplementary SCR 145 | 1976-04-26

**Ordinary accumulated profits included the tea companies' previously untaxed agricultural-profit component, making the corresponding liquidation distributions taxable as dividends. Conversely, appreciation of agricultural land excluded from the historical definition of capital asset did not become taxable dividend merely on liquidation. The two categories required separate treatment (SCR 154-157).**

Indian Income-tax Act, 1922 | 1922 Act: 2(6A)(c) | 1922 Act: 2(4A) | 1922 Act: 4(3)(8) | 1922 Act: 12B

2-judge bench | H.R. Khanna, J. | P.K. Goswami, J.

### 01 FACTS OF THE CASE

Decided 26 April 1976, with Khanna J. delivering one judgment alongside Goswami J. Civil Appeals 1491 and 1693 of 1971 were respectively the assessee's and Revenue's cross-appeals from Calcutta High Court's 13 January 1971 decision in ITR 192 of 1966. Assessment year 1956-57 concerned distributions from Dibru Darang and Taikrong Tea companies, which sold their estates in 1947 and entered voluntary liquidation in 1954 (SCR 145, 147-148).

Source: [SCR 145-157; physical PDF pages 1-13](#)

### 02 DISCUSSION BY THE HON'BLE COURT

Section 2(6A)(c) of the Indian Income-tax Act, 1922 did not restrict accumulated profits to previously taxable profits. Rule 24's agricultural/business apportionment applied to the tea companies' integrated income, not to recharacterising dividends in a shareholder's hands. Applying Bacha F. Guzdar, the Court rejected the shareholder's claimed agricultural exemption. But the land itself produced agricultural green leaves; the manufacturing component arose later in the factory. Rule 24 therefore did not convert 40 per cent of the land into a capital asset under section 2(4A) (SCR 153-157).

Source: [SCR 145-157; physical PDF pages 1-13](#)

### 03 JUDICIAL DECISION

Ordinary accumulated profits included the tea companies' previously untaxed agricultural-profit component, making the corresponding liquidation distributions taxable as dividends. Conversely, appreciation of agricultural land excluded from the historical definition of capital asset did not become taxable dividend merely on liquidation. The two categories required separate treatment (SCR 154-157).

Source: [SCR 145-157; physical PDF pages 1-13](#)

**04 OUTCOME / IN WHOSE FAVOUR**

Divided success; both cross-appeals dismissed Both cross-appeals were dismissed. The High Court's treatment of ordinary profits and land-related amounts remained intact. Given divided success, the parties bore their own costs in both appeals (SCR 157). Historical income-tax issue decided with the qualifications stated in this note No current-law or comprehensive later-treatment certification.

Source: [SCR 145-157; physical PDF pages 1-13](#)

**05 AKHB REVIEW POINT**

The operative law is the 1922 Act and its Rules, not present land or dividend taxation under 1961/2025 legislation. Later treatment is unverified. Source: supplied SCR report, [1976] Supplementary SCR 145-157. The headnote repeats a six-year proviso, while SCR 154 describes its 1955 deletion and the 1956 amendment. That page also prints the chronologically suspect amendment year "1919." These source defects do not broaden the holding or justify treating ordinary profits and land appreciation alike.

Source: [SCR 145-157; physical PDF pages 1-13](#)

**ASSESSMENT YEARS AND LIMITS**

**Years:** 1956-57

**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](#)

The headnote retains the old six-year proviso; SCR 154 explains its deletion and later amendment. The printed amendment year 1919 is chronologically suspect and is not used as current law.

**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.

**AI DISCLOSURE**

AI-assisted research. The AKHB Review Point is editorial analysis, not part of the Court's judgment.

**PROFESSIONAL DISCLAIMER**

AI-assisted legal research note for general information and professional research. Verify the original judgment, applicable statutory version and later treatment before reliance. The AKHB Review Point is editorial analysis.