
(1972) 09 SC CK 0011

In the Supreme Court Of India

Case No : Civil Appeals Nos. 1843 And 1844 Of 1969

Sheveroy Estates Ltd.

APPELLANT

Vs

Government of Madras

RESPONDENT

Date of Decision : 26-09-1972

Acts Referred:

Citation : (1975) 100 ITR 14 : (1972) 4 SCC 574

Hon'ble Judges : P. Jaganmohan Reddy, J;K. S. Hegde, J;I. D. Dua, J

Bench : Full Bench

Final Decision : Allowed

Judgement

K.S. Hegde, J.—These are appeals try certificate by a common assessee. In this case we are concerned with the assessment under the Madras Agricultural income tax Act, 1955 (hereinafter to be referred to as the Act). The relevant assessment years are 1955-56 and 1956-57, the previous years ending on March 31, 1954, and March 31, 1955. The assessee was maintaining his accounts according to the mercantile system. The only, question, in dispute in this case is as regards the method of computation of the agricultural income of the assessee. In assessing the income tax of the assessee for the assessment year 1955-56, the very first assessment year under the Act, the department took into consideration certain stocks of coffee which it had gathered earlier than April 1, 1954, but sold during the financial year 1954-55. The contention of the assessee was that the department was Apt entitled to do so. It was contended on behalf of the assessee that only the crop gathered in the financial year 1954-55 and sold during that period could be taken into consideration for purposes of the assessment. This contention was rejected by the authorities under the Act as well as by the High Court. Aggrieved by that decision, the assessee has come up in appeal to this Court.

2. The point in issue in this case is, in our opinion, concluded by two decisions of this Court, namely. State of Kerala and Others Vs. Bhavani Tea Produce Co. Ltd., and S.S. Rajalinga Raja Vs. State of Madras, . These decisions have laid down

that in the application of the Act what is relevant is the agricultural income realised during the relevant previous year, the question as to when the crop was gathered being wholly immaterial. This Court has held that even if the produce had been realised prior to April 1, 1954, but if, the same had been sold subsequently, the price realised by the sale either under the mercantile system or under the cash system is assessable in the year in which the price was either deemed to have been realised or was actually realised depending on the system of accounting maintained by the assessee. In view of the ratio of those decisions the contention of the appellant-assessee that the department should not have taken into consideration the produce gathered prior to April 1, 1954, but sold subsequently cannot be sustained.

3. But Mr. Setalvad, appearing for the assessee, raised another contention before us. According to him the Appellate Assistant Commissioner as well as the Tribunal while making the assessment for the assessment year 1955-56 not only took into consideration the opening stock on April 1, 1954, but also the closing stock on March 31, 1955. This, according to him, is wholly impermissible on the basis of the ratio of the decisions of this Court. This contention appears to be correct. From a reading of the order of assessment made by the assessing authority as well as the order of the Tribunal, it is clear that in computing the assessee's income for the assessment year 1955-56 the authorities under the Act not only took into consideration the opening stock on April 1, 1954, but also the closing stock on March 31, 1955. But Mr. S.T. Desai, appearing for the department contends that this method has not in any manner really affected the assessment of the assessee if we take into consideration the assessment for both the assessment years 1955-56 and 1956-57. We do not think it is necessary for us to decide this question in this Court. All we need, do is to lay down the correct principles of law and, thereafter, direct the Tribunal to make the assessment in the relevant assessment years in accordance with those principles.

4. The principle laid down by this Court in the aforementioned two decisions is that the only thing that is relevant for the assessment in the case of an assessee's maintaining his accounts on the mercantile system is the sales of coffee effected by him during the previous year relevant to the assessment year and in the case of those who are maintaining accounts on the basis of cash system, the price realised by them in the relevant previous year. In both the cases the question of opening stocks and closing stocks are irrelevant. Herein we are concerned with an assessee who is maintaining his accounts on the basis of the mercantile system. That being so, the only point relevant in making the computation is sale made by him in the relevant previous years.

5. For the reasons mentioned above, we allow these appeals and remand the cases to the Tribunal to reassess the assessee for the assessment year 1955-56 and 1956-57 on the basis of the principles enunciated above. In the circumstances of the case, we direct the parties to bear their own costs.