

SPECIAL BENCH.

*Before Sir Murray Coutts Trotter, Kt., Chief Justice,
Mr. Justice Wallace and Mr. Justice Beasley.*

THE COMMISSIONER OF INCOME-TAX, MADRAS,
REFERRING OFFICER,

1927,
April 27.

2.

LINGA REDDY, RESPONDENT.*

Income-tax Act (XI of 1922), sec. 2 (1)—Land leased for manufacture of salt—Profits derived from manufacture of salt on the lands leased—Licensee, whether liable to assessment to income-tax in respect of such profits—Lands so used, whether used for agricultural purposes—“Agricultural purpose,” meaning of.

Income derived from manufacture of salt in agricultural lands is *not* agricultural income within the meaning of section 2 (1) of the Income-tax Act (XI of 1922); and consequently the licensee of a salt factory is liable to be assessed to income-tax in respect of profits derived from manufacture of salt on such lands.

CASE stated under section 66 (2) of the Income-tax Act (XI of 1922) by the Commissioner of Income-tax, Madras, in the matter of Linga Reddi, Nellore District (Mypad), a licensee of Krishnapatam Salt Factory.

The question referred by the Commissioner of Income-tax, Madras, for the opinion of the High Court was as follows :—

“Whether the income derived by manufacture of salt in agricultural lands is agricultural income within the meaning of section 2 (1) of the Income-tax Act?”

T. V. Venkatarama Ayyar for assessee.—Land let out for manufacture of salt is agricultural land. The process of manufacture of salt is a process in agriculture. The land is ploughed and furrowed as in cultivation, and the soil is prepared

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for producing salt. Land let out for salt manufacture is already liable to land-tax or salt-tax. The lessee cannot also be made liable to income-tax. The Court will not encourage double taxation: see *Chief Commissioner of Income-tax v. Zamindar of Singampatti*.

M. Patanjali Sastri, for the Referring officer, not called upon.

JUDGMENT.

COURTS
TROTTER, C.J.

COURTS TROTTER, C.J.—In my opinion this case is unarguable. The assessee was a licensee of the Krishnapatam Salt Factory in the Nellore District. From the manufacture of salt on the land of which he was the lessee he made a profit of some Rs. 7,000 which has been assessed to income-tax. He now contends that this is agricultural income, that it is revenue derived from the land which is used for agricultural purposes and therefore not taxable. To my mind it would be a gross misnomer to hold that “agricultural purposes” could be held to cover the process of flooding the land occupied, by letting in the sea water and then extracting the sodium chloride from it by eliminating the other chemical constituents. In my opinion the assessment was right and must be confirmed. The answer to the specific question referred is in the negative. The assessee will pay the costs of this reference. Counsel’s fee Rs. 250.

WALLACE, J. WALLACE, J.—I agree.

BEASLEY, J. BEASLEY, J.—I agree.

K.R.