

Bacha F. Guzdar v. Commissioner of Income-tax, Bombay

Civil Appeal 104 of 1953

[1955] 1 SCR 876 | 1954-10-28

Income-tax Act 1922, sections 2(1), 4(3)(viii)

Income-tax Act 1922, sections 2(1), 4(3)(viii) | Income-tax Rules 1922, rule 24

5-judge bench | Mehr Chand Mahajan C.J. | S. R. Das | Ghulam Hasan (author) | Bhagwati | Venkatarama Ayyar

Historical statutory scope and outcome limits

The companies' rule 24 treatment was common ground; the issue was the shareholder's dividend under the 1922 Act. The alternative section 16(2) argument was left undecided. This is not a statement of current dividend taxation; no current-law clearance.

01 FACTS OF THE CASE

In accounting year 1949-50, Mrs. Bacha F. Guzdar received dividends totalling Rs. 2,750 from Patrakola Tea Company Ltd. and Bishnauth Tea Company Ltd., which grew and manufactured tea. The companies' 60 per cent agricultural-income treatment under rule 24 was common ground. She claimed the same exemption for 60 per cent of her dividends under section 4(3)(viii); the authorities and Bombay High Court rejected it.

Source: [Primary report: SCR 878-880; PDF 3-5](#)

02 DISCUSSION BY THE HON'BLE COURT

The assessee traced the dividends to the companies' agricultural profits; Revenue treated the shareholder's income as separate. The Court identified the immediate source as the share investment and contractual rights, not a direct relationship with agricultural land. The company owned its assets separately from its shareholders, and the analogy with a partnership was inaccurate. The right to participate in profits existed before declaration, although enjoyment awaited it; the Court rejected the High Court's contrary explanation. English cases depending on different legislation could not control the Indian definition. The alternative argument under section 16(2) was unnecessary and left undecided.

Source: [Primary report: SCR 880-886; PDF 5-11](#)

03 JUDICIAL DECISION

The dividend was not agricultural income in the shareholder's hands. Appeal dismissed with costs.

Source: [Primary report: SCR 886; PDF 11](#)

04 OUTCOME / IN WHOSE FAVOUR

Revenue succeeded.

Source: [Primary report: SCR 886; PDF 11](#)

05 AKHB REVIEW POINT

Trace the recipient's immediate source, rather than the remote origin of the payer's profits. The judgment rejected the High Court's suggestion that declaration itself creates the underlying right to participate.

Source: [Primary report: SCR 881-886; PDF 6-11](#)

SOURCE & VERIFICATION

[Supreme Court Reports primary scan — public eSCR mirror](#)

Complete 11-page report, SCR 876-886. The first page includes the conclusion of the unrelated Kunjilal criminal appeal before the Bacha F. Guzdar caption and judgment.

[Open cited source rendition](#)

STATUTORY SCOPE

Historical statutory text and assessment period only. Present statutory equivalence and later judicial treatment are not cleared.

LATER TREATMENT

Source checked 2026-10-19. Subsequent treatment and current-law applicability have not been comprehensively checked.

AI DISCLOSURE

This AKHB research note was prepared with AI assistance from an identified primary report. Independent human review is not represented.

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