Commissioner of Income-tax, Bombay City v. Khatau Makanji Spinning and Weaving Co. Ltd.

Civil Appeal No. 303 of 1958

[1960] 3 SCR 873 | 1960-05-04

Historical interpretation: Indian Income-tax Act, 1922: section 3

Indian Income-tax Act, 1922: section 3 | Finance Act, 1953 applying Finance Act, 1951: First Schedule, Part I, paragraph B

3-judge bench | S. K. Das | J. L. Kapur | M. Hidayatullah

Historical statutory scope and source qualifications

Historical 1922 Act and 1953 Finance Act scheme; current treatment not checked. Final page begins a different Jalgaon Electricity report.

01 FACTS OF THE CASE

The company declared dividends of Rs. 4,78,950 for its accounting year ending June 1952. The officer treated Rs. 1,87,691 as excess dividends and imposed additional income-tax of Rs. 21,115-4-0. The High Court answered the legality question against the Revenue.

Source: Primary report: SCR 874–876

02 DISCUSSION BY THE HON'BLE COURT

The annual Finance Act retained total income determined under the Income-tax Act as its tax base. Its fiction traced excess dividends to earlier undistributed profits but did not deem those profits part of the relevant previous year's total income. The Court refused to recast the enactment into a different charging provision.

Source: Primary report: SCR 877–880

03 JUDICIAL DECISION

The additional income-tax was not validly laid on total income because the amount taxed was neither part of the relevant previous year's income nor deemed to be so. The High Court's negative answer was affirmed.

Source: Primary report: SCR 879–880

04 OUTCOME / IN WHOSE FAVOUR

The Revenue appeal was dismissed with costs; the company succeeded against this additional levy.

Source: Primary report: SCR 880

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05 AKHB REVIEW POINT

Separate the statutory charge, the defined tax base and the rate provision before applying a fiscal fiction. This decision addresses the particular historical Finance Act scheme; it does not establish that Parliament cannot impose a separate charge through a Finance Act.

Source: Primary report: SCR 876–880

SOURCE & VERIFICATION

Supreme Court Reports primary scan — public eSCR mirror

Complete 8-page Supreme Court Reports scan. Any adjoining report fragments remain in the unchanged original and are excluded from this analysis.

Open cited source rendition

STATUTORY SCOPE

Historical legislation expressly identified in this note. This is not a decision under the Income-tax Act, 1961 or the Income-tax Act, 2025. Verify enacted wording, commencement, transition and subsequent judicial treatment independently before modern reliance.

LATER TREATMENT

Source checked 2026-10-23. Subsequent treatment and present-law applicability have not been comprehensively checked.

AI DISCLOSURE

This AKHB research note uses AI assistance and a preserved full-primary review, with refreshed exact original-byte verification. Independent human review is not represented.

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