Commissioner of Income-tax, Bombay v. Elphinstone Spinning and Weaving Mills Ltd.

Civil Appeal No. 427 of 1957

[1960] 3 SCR 953 | 1960-05-04

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

Indian Income-tax Act, 1922: section 3 | Finance Act, 1951: section 2(7), First Schedule Part I paragraph B

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

Historical statutory scope and source qualifications

Current law and subsequent treatment not checked. Opening page contains the end of Kochuni; not part of this tax judgment.

01 FACTS OF THE CASE

Depreciation converted the company's accounting profits into a tax loss of Rs. 2,19,848. Despite no taxable income, dividends of Rs. 3,29,062 prompted additional income-tax of Rs. 41,132-12-0. The High Court held the company not liable.

Source: Primary report: SCR 955

02 DISCUSSION BY THE HON'BLE COURT

Paragraph B prescribed rates on total income; its references to additional tax, profits liable to tax and dividends out of those profits did not fit a nil or negative tax income. The Court distinguished construction that resolves an ambiguity from judicially supplying a missing charge, and rejected the proviso as an independent charging section.

Source: Primary report: SCR 958–966

03 JUDICIAL DECISION

The additional levy could not operate where the relevant total income did not exist. The earlier-profit fiction could not substitute a different tax base. Having answered liability against Revenue, the constitutional validity question did not survive.

Source: Primary report: SCR 963–967

04 OUTCOME / IN WHOSE FAVOUR

The Revenue appeal was dismissed with costs, affirming the company's non-liability under this provision.

Source: Primary report: SCR 967

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05 AKHB REVIEW POINT

Check the actual charging language and conditions of a rate schedule before imposing tax by reference to policy or anomaly. The decision concerns a historical dividend-tax provision, not a general exemption for distributions made during a loss year under later legislation.

Source: Primary report: SCR 963–967

SOURCE & VERIFICATION

Supreme Court Reports primary scan — public eSCR mirror

Complete 15-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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