

Raghuvanshi Mills, Ltd. v. Commissioner of Income-tax, Bombay

Civil Appeal No. 30 of 1957 — Supreme Court special-leave appeal concerning High Court orders 10 March 1953 and 1 September 1955 / Income-tax Reference No. 37 of 1952 — Bombay High Court originating reference

[1961] 2 SCR 978 | 1960-12-07

Under pre-1955 section 23A, directorship or family relationship did not itself exclude a shareholder from the public; actual beneficial ownership and control of voting as a block had to be examined.

1922 Act: 23A(1), third proviso and Explanation (before 1955 amendment) | 1922 Act: 66(1) | 1922 Act: 66(2)

3 Judges | J. L. Kapur | M. Hidayatullah | J. C. Shah

01 FACTS OF THE CASE

For 1943–44, Raghuvanshi Mills distributed less than the dividend required by historical section 23A. Directors held 4,695 of 10,000 shares, their relatives 4,754, and unrelated holders 551. Maganlal had earlier gifted 1,000 shares to each of five sons. The High Court treated directors as outside the public and called for findings about control of relatives. The Tribunal found three sons' 3,000 shares under their father's control, and the reframed question about those sons was answered against the company.

Source: [SCR 979–983: holdings, reference and control findings.](#)

02 DISCUSSION BY THE HON'BLE COURT

The Court emphasized the Explanation's requirements that at least 25 percent of voting power be acquired unconditionally and held beneficially by the public. Its inquiry concerned an individual or concerted group controlling a voting block, rather than labels attached to shareholders. Directors could hold independently for themselves; relatives likewise remained public unless control of their votes was established. Conversely, a controlling group could include directors, nominees, relatives or other shareholders in different combinations. The Court used Tatem and Bjordal to reject automatic disqualification through family relationship or office. The existing finding about the three sons did not establish the character of all remaining holdings.

Source: [SCR 984–989: historical text and beneficial-control test.](#)

03 JUDICIAL DECISION

The High Court's judgments and orders were set aside. Its narrow negative answer about the sons appeared correct but did not dispose of the original, wider question whether section 23A applied. Their 3,000 shares plus their father's 1,344, totalling 4,344, were insufficient by themselves to settle the required overall inquiry. The High Court was directed to answer the original question and could seek a supplemental Tribunal statement.

Source: [SCR 989–990: narrow finding, wider question and remand.](#)

04 OUTCOME / IN WHOSE FAVOUR

Assessee appeal allowed; wider question returned to the High Court. No final finding that the company qualified for the public-interest exception was made. Respondents to bear Supreme Court appeal costs; High Court costs to abide the result.

Source: [SCR 990 above separator and Changdeo caption.](#)

05 AKHB REVIEW POINT

Reconstruct beneficial voting control from evidence before excluding a shareholder. Preserve both the statutory public minimum and other conditions, including transferability; a favorable correction of the legal test is not a merits exemption. The record's continuing transferability finding and remand must not disappear in a simplified family-control summary. Later company definitions require separate checking.

Source: [SCR 983,985-987,989: transferability, threshold and scope.](#)

SOURCE & VERIFICATIONOriginal reported Supreme Court judgment

13-page retained public-mirror SCR report. The complete report was read as text and page images. The acquisition URL is preserved provenance; current endpoint availability and authentication as a signed original are not newly verified. Every physical text/image page 1-13/SCR 978-990. Target begins first-page caption; Hidayatullah opinion starts page 2 lower third. Ends page 13 upper quarter Appeal allowed above separator; exclude following Shree Changdeo Sugar Mills caption/coram/headnote below. No preceding case. Directors/relatives not categorically excluded; actual block and independent beneficial voting require inquiry. Remand on original wider question, not final exemption. Quotation at SCR 986 uses at least 75 while operative explanations 986-987 and 989 use more than 75 versus public not less than 25; retain threshold qualification.

Open cited source rendition

Physical 13 contains following Shree Changdeo material below the separator; exclude it from this judgment.

The quoted Sardar Baldev passage uses at least 75 percent, while the operative explanation discusses public holdings of at least 25 percent and a block exceeding 75 percent. The note preserves the statutory minimum rather than asserting a blanket 75 percent disqualification.

The share table image at SCR 980 shows 50 for Sir Chunilal; extracted OCR says 110. The printed table total 4,695 controls the factual summary.

STATUTORY SCOPE

Indian Income-tax Act, 1922; 23A(1), third proviso and Explanation (before 1955 amendment), 66(1), 66(2)

The displayed 2025 version of section 2(18) specifies categories and conditions for substantial public interest, including listed-share and specified beneficial-holder routes. It is not the old section 23A 25 percent test. Separately, the 2011 compilation records Chapter XI and sections 104–109, including 107A, omitted from 1 April 1988 by the Finance Act, 1987.

Section 2(29) separately defines companies in which the public are substantially interested, with category-specific conditions. Reading that definition supplies no replacement for the historical undistributed-profit mechanism and does not resolve the remanded company's status under a later Act.

The judgment applies the historical 1922 Act. The 2025 Act generally commenced 1 April 2026. Selected section 536(1), (2)(a)–(e), (3)–(4) preserve earlier operation and specified proceedings. Only identified versions and passages were checked; applicability to a current assessment requires its tax year, savings and full governing law.

LATER TREATMENT

Source checked 2026-10-08. No specific later judicial treatment is adopted; this is not a finding that later treatment is absent.

Comprehensive subsequent history and present-law applicability remain unverified.

Primary authorities cited within this judgment are not later-use evidence.

IDENTIFIED SOURCE LINKS

[Income-tax Act, 1961: 2\(18\)](#)

Official Income-tax Act, 1961 page displayed year 2025 Header/version 38–58; complete 2(18) at 240–261. Only stated official web-extracted text personally read. No original HTML/PDF integrity, PDF images, entire Act or comprehensive current-law claim.

[Income-tax Act, 2025: 2\(29\)](#)

As amended by Finance Act, 2026 Web 251–295, full definition including 285 cross-page continuation. Only stated official web-extracted text personally read. No original HTML/PDF integrity, PDF images, entire Act or comprehensive current-law claim.

[Income-tax Act, 1961: Chapter XI and sections 104–109 omission in 2011 compilation](#)

2011 Taxmann compilation hosted by Department of Revenue Physical 2 title 2011; physical 585/printed 1.544 Chapter XI and 104 omission; physical 586/printed 1.545 entries 105–109 including 107A, plus displayed footnotes 11–16. Adjacent 94A/110/111 text/images observed but not adopted. Selected historical pages only; footnotes are compilation annotations, not independently checked amending Acts. No fresh endpoint acquisition or present-law consolidation claim. Text pages read: 2, 585–586. Image pages read: 2, 585–586.

[Income-tax Act, 2025: commencement and selected savings](#)

As amended by Finance Act, 2026 Title/version and section1(1)–(3), web0–13; section536(1),(2)(a)–(e), web24385–24408; section536(3)–(4), web24597–24601. Selected savings only, not full section536. Only stated official web-extracted text personally read. No original HTML/PDF integrity, PDF images, entire Act or comprehensive current-law claim.

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