

Shree Changdeo Sugar Mills, Ltd. v. The Commissioner of Income Tax, Bombay

Civil Appeal No. 380 of 1957 — Supreme Court certificate appeal / Income-tax Reference No. 4 of 1956 — Bombay High Court originating reference; order 8 March 1956

[1961] 2 SCR 990 | 1960-12-07

Directors' shares were not automatically outside public ownership under historical section 23A, but shares held by the private Mysore Merchants company remained excluded; the case was remitted on the remaining public-interest question.

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

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

01 FACTS OF THE CASE

Shree Changdeo challenged application of section 23A of the Indian Income-tax Act, 1922, in its pre-Finance Act 1955 form, for 1948–49. It had distributed less than 60 percent of its profits. Of 60,000 shares, directors held 41,500, the managing-agency firm 2,300, Mysore Merchants Ltd. 11,880, and others 4,320. The High Court excluded directors' holdings categorically and answered against substantial public interest. Inclusion of Mysore Merchants' shares would independently have raised the asserted public holding above 25 percent.

Source: [SCR 991–992: assessment, shares and High Court approach.](#)

02 DISCUSSION BY THE HON'BLE COURT

The Supreme Court applied its same-day Raghuvanshi Mills decision: directorship alone did not exclude beneficial, independent public ownership. That error required reconsideration. It separately resolved Mysore Merchants' status. The historical Explanation excluded a company to which section 23A applied; absence of assessable profits or sufficient distributable income did not convert that private company's holding into a public holding. Its lack of public beneficial interest was admitted. Clause 14 of the Part B States (Taxation Concessions) Order, 1950, could protect qualifying earlier profits against section 23A action, but did not change the character of its shareholding when another company's public interest was tested.

Source: [SCR 992–995: Raghuvanshi, corporate exclusion and clause 14.](#)

03 JUDICIAL DECISION

The Court allowed the appeal and remitted the public-interest question to the High Court under Raghuvanshi's correct test. It expressly closed the Mysore Merchants issue: those 11,880 shares could not be counted as held by the public, and that conclusion was not open on remand. The disposition was therefore neither a final exemption nor an unrestricted rehearing of every issue.

Source: [SCR 994–995: closed Mysore Merchants issue and limited remand.](#)

04 OUTCOME / IN WHOSE FAVOUR

Assessee appeal allowed and case remitted. The High Court must reconsider the remaining shareholding under the correct test, excluding Mysore Merchants' holding. Respondent to pay Supreme Court appeal costs; High Court costs to abide the result.

Source: [SCR 995 first two paragraphs, before Hercules caption.](#)

05 AKHB REVIEW POINT

Keep the general error about directors separate from the binding corporate-shareholder exclusion. A statutory concession against collecting tax does not necessarily alter status for another provision's classification test. The 25 percent threshold and undistributed-profit mechanism were historical statutory features; this decision cannot establish present company status without the later definition and relevant version.

Source: [SCR 993-995: classification versus concession and remand limits.](#)

OTHER PRINTED DOCKET MENTIONS

1.

Case number: Civil Appeal No. 30 of 1957

Relationship: Separate Raghuvanshi Mills appeal decided the same day and cited at physical3/SCR992; not the target appeal disposed of here.

SOURCE & VERIFICATION

Original reported Supreme Court judgment

6-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 1-6/SCR 990-995. Caption begins page 1 below preceding Raghuvanshi Mills disposal/separator; opinion starts page 2 middle; target ends page 6 upper third Appeal allowed, with target Raghuvanshi footnote retained at page bottom below neighboring headnote. Exclude preceding Raghuvanshi remand/costs at page 1 top; exclude Workmen of Hercules Insurance Co v Hercules Insurance Co Ltd Calcutta caption/coram/industrial-bonus headnote page 6 below separator. Target remand allows director-public inquiry but conclusively excludes Mysore Merchants shares.

Open cited source rendition

Physical 1 starts with Raghuvanshi's conclusion; physical 6 includes the Hercules Insurance industrial-bonus headnote. Neither supplies this case's disposition. The bottom SCR 995 Raghuvanshi footnote belongs to the target opinion.

STATUTORY SCOPE

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

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.

[Raghuvanshi Mills, Ltd. v. Commissioner of Income-tax, Bombay — \[1961\] 2 SCR 978](#)

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. Separate judgment read in full. Changdeo expressly applies the separately read Raghuvanshi test; same-day use is not chronologically later treatment. Frozen acquisition URL, not newly authenticated endpoint. Text pages read: 1–13. Image pages read: 1–13.

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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