

The Commissioner of Income-tax, Poona v. Buldana District Main Cloth Importers Group

Civil Appeal Nos. 41-44 of 1960 — Four Supreme Court appeals: two income-tax assessments and two consequential excess-profits-tax assessments; the source does not assign individual appeal numbers to particular assessments. and connected proceedings (full list below)

[1962] 1 SCR 181 | 1961-03-06

Joint purchases, sales and profit computation, followed by distribution according to contributed capital, made the cloth-importing group an association of persons despite government appointment and control.

Indian Income-tax Act, 1922; consequential Excess Profits Tax assessments | 1922 Act: 3 | 1922 Act: 22(2) | 1922 Act: 22(4) | 1922 Act: 23(4) | 1922 Act: 27 | 1922 Act: 66(2) | 1922 Act: 66A(2)

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

01 FACTS OF THE CASE

The respondent was assessable as an association of persons because it actually conducted the cloth business jointly. In 1945 the Buldana Deputy Commissioner established a controlled distribution scheme and appointed importers. The group's membership changed, but Haji Ahmed Haji Ali & Co. remained a common member, maintained the accounts and kept separate books for successive combinations. Profits were divided according to contributed capital. The appeals concerned income-tax assessments for 1946-47 and 1947-48 and two consequential excess-profits-tax assessments. After the group denied contractual privity and failed to return income, the officer assessed it in association-of-persons status; the appellate authorities upheld that treatment. The High Court considered government appointment inconsistent with voluntary association.

Source: [SCR 182-184; target passages only; shared-page exclusions recorded in read_bounds.](#)

02 DISCUSSION BY THE HON'BLE COURT

The Supreme Court treated the Tribunal's findings about actual operations as decisive: purchases and sales were on joint account, profits were first calculated jointly, and the resulting profits were then shared. It applied Indira Balkrishna and Mohammad Noorulla rather than requiring a formal partnership contract. The members had worked the scheme and earned profits together. Government initiation or supervision did not transform that joint enterprise into separate businesses. Agreeing with Vyas and Dhoniwala, the Court explained that official control could mean simply that the participants had agreed to conduct business in a specified manner. Its reasoning therefore concerned the proved commercial arrangements, rather than appointment by government as an independent test for tax status.

Source: [SCR 184-186; target passages only; shared-page exclusions recorded in read_bounds.](#)

03 JUDICIAL DECISION

The respondent constituted an association of persons within section 3 of the 1922 Act and had rightly been assessed in that status. The excess-profits-tax appeals followed the income-tax result; the Court did not formulate a separate excess-profits-tax test.

Source: [SCR 185-186; target passages only; shared-page exclusions recorded in read_bounds.](#)

04 OUTCOME / IN WHOSE FAVOUR

All four Revenue appeals allowed. The High Court's contrary status conclusion was displaced and the association-of-persons assessments sustained. Costs awarded; one hearing fee.

Source: [SCR 186-186; target passages only; shared-page exclusions recorded in read_bounds.](#)

05 AKHB REVIEW POINT

Examine joint purchasing, selling, bookkeeping, profit calculation and sharing before relying on the group's label or the source of its appointment. This judgment does not make every government-appointed group an association of persons, nor dispense with evidence of collective activity. Preserve its historical section 3 setting and the later statutory definitions separately. The shared final page begins a different loss-carry-forward case; none of that neighboring reasoning belongs to this holding.

Source: [SCR 184-186; target passages only; shared-page exclusions recorded in read_bounds.](#)

APPEAL AND PROCEEDING NUMBERS

Civil Appeal Nos. 41-44 of 1960 — Four Supreme Court appeals: two income-tax assessments and two consequential excess-profits-tax assessments; the source does not assign individual appeal numbers to particular assessments.

ORIGINATING PROCEEDINGS

1.

Case numbers: Misc. Civil Case No. 27 of 1954

Relationship: Former Nagpur High Court judgment and order dated 13 April 1956.

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. All six physical text and image pages, SCR181-186. Target caption and Supreme Court appeals p1; originating Nagpur case, coram-linked single Kapur J opinion pp2-6; final allowance/costs at top of p6. The separate Seth Khushal Chand Daga caption/headnote below the divider on p6 is neighboring material and excluded. Printed s4 in reference question is distinguished from s3 operative AOP issue; p2 special-leave jurisdiction and s66-A(2) wording both preserved.

Open cited source rendition

Physical p6, below the divider and Appeals allowed, begins Commissioner of Income-tax, Madhya Pradesh v. Seth Khushal Chand Daga; excluded.

The reference question at pp3-4 prints section 4, whereas the stated issue and reasoning concern association-of-persons status under section 3. Both source formulations are preserved.

The jurisdictional introduction says special leave; the opening judicial paragraph also describes a reference made under section 66-A(2). Neither is silently rewritten.

STATUTORY SCOPE

Indian Income-tax Act, 1922; consequential Excess Profits Tax assessments; 3, 22(2), 22(4), 23(4), 27, 66(2), 66A(2), Excess Profits Tax law (consequential assessments; no particular substantive section identified in the judgment)

The retained Finance Act 2011 text of section 2(31)(v) includes an AOP or BOI, incorporated or not; its Explanation deems it a person regardless of an income-making object. This later definition is not substituted for the judgment's 1922 section 3 test.

The Finance Act 2026 version of section 2(77)(e) includes an AOP/BOI and retains the no-income-object qualification. That definition alone does not establish the group's status or import this holding unchanged.

Historical operative law is separate from the stated bounded later versions. Tax-year applicability, unexamined conditions, complete transition provisions and comprehensive subsequent judicial treatment remain unverified.

Other provisions addressed: Excess Profits Tax law (consequential assessments; no particular substantive section identified in the judgment)

LATER TREATMENT

Source checked 2026-10-08. No specific subsequent judicial treatment independently verified for this note.

Indira Balkrishna, Mohammad Noorulla and Vyas and Dhotiwala are antecedent authorities used by the target Court, not verified subsequent treatment.

Earlier authorities in the target are not later treatment. No exhaustive citator or current precedential-status conclusion.

IDENTIFIED SOURCE LINKS

[Income-tax Act,1961: bounded text comparison](#)

DOR-hosted Taxmann compilation as amended by Finance Act2011 Only the case-specific provisions identified in statutory_mapping plus versionp42. Not a current consolidated text, whole-Act or source-image review. Text pages read: 42, 63.

[Income-tax Act,2025 bounded provisions](#)

Official compilation as amended by Finance Act2026 The Finance Act 2026 version of section 2(77)(e) includes an AOP/BOI and retains the no-income-object qualification. That definition alone does not establish the group's status or import this holding unchanged. Actual bounded extracted-text reading; capture hash is not a hash of the remote PDF/HTML; no source-image or whole-Act claim.

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