

Chandrakant Krishnarao Pradhan and Another v. The Collector of Customs, Bombay and Others

Petitions Nos. 80, 80A, 81 and 116 to 213 of 1960

[1962] 3 SCR 108 | 1961-08-11

Historical income-tax clearance condition for customs-agent licensing

Custom House Agents Licensing Rules, 1960: rules 6(c), 10(1)(c) and 11 | Sea Customs Act, 1878: sections 4, 9, 39 and 202 | Constitution: Articles 14, 19(1)(g), 19(6) and 32

Five-judge Bench | P. B. Gajendragadkar, J. | K. Subba Rao, J. | M. Hidayatullah, J. | J. C. Shah, J. | Raghubar Dayal, J.

Historical rule; majority and dissent differ

The 4:1 majority upheld the income-tax clearance condition in rule 6(c) of the 1960 customs licensing rules. Subba Rao J. dissented on that issue. This does not establish a present-day certificate requirement.

01 FACTS OF THE CASE

Existing permanent and temporary Dalals licensed at the Bombay Custom House challenged the Custom House Agents Licensing Rules, 1960. Following substitution of section 202 of the Sea Customs Act, 1878, their previous licences would cease to operate from the notified date and fresh licences were required. Clearing agents intervened. The petitions challenged specified rules under Articles 14 and 19 and as exceeding rule-making power; they did not challenge the Act or section 202 itself. (SCR 111-115; PDF pp.4-8.) Among other requirements, rule 6(c) required an applicant to furnish an income-tax clearance certificate. The relevant issue was whether that prerequisite reasonably related to licensing a fiduciary customs agent. The Court was not deciding an income-tax assessment, quantifying arrears or construing a particular Income-tax Act recovery provision. (SCR 118-120; PDF pp.11-13.)

Source: [SCR 111-120 / PDF pp.4-13](#)

02 DISCUSSION BY THE HON'BLE COURT

The four-judge majority, through Hidayatullah J., upheld rule 6(c). Customs agents handled other persons' money and valuable goods, making respectability, reliability and financial standing material to suitability. Whether an applicant had discharged debts to the State could form part of that inquiry. The majority observed that punctual payment could be proved and that an applicant could explain a delay supported by good reason. (SCR 119-120; PDF pp.12-13.) The majority distinguished *K. Raman & Co. v. State of Madras*, AIR 1953 Mad 84, which concerned a yarn dealer trading on his own account. It considered the fiduciary role of a customs agent materially different. This is a context-specific constitutional conclusion about the 1960 licensing rule, not a general rule that every licence may be withheld for tax arrears. (SCR 119-120; PDF pp.12-13.) Subba Rao J. dissented only on rule 6(c). He considered income-tax clearance extraneous to the right to conduct customs-agency business: an otherwise qualified and financially sound applicant could have a small unpaid tax amount for good reasons. In his view, the Income-tax Act supplied its own recovery machinery and the rule effectively added another collection mechanism without the requisite nexus. This reasoning is the dissent, not the controlling holding. (SCR 135-136; PDF pp.28-29.) The Court separately invalidated rule 10(1)(c), which permitted rejection of an otherwise qualified applicant as unsuitable without stated reasons or an appeal. It also invalidated rule 11 only insofar as it prescribed a Rs.50 renewal fee: on the record, renewal services did not justify that charge and it operated as a revenue-raising tax. The initial Rs.50 licensing fee was not invalidated. (SCR 121-123; PDF pp.14-16.)

Source: [Majority SCR 119-123; dissent SCR 135-136 / PDF pp.12-16,28-29](#)

03 JUDICIAL DECISION

By a 4:1 majority, the Hon'ble Supreme Court sustained rule 6(c)'s income-tax clearance certificate requirement. The petitions otherwise failed except that rule 10(1)(c) was declared an unreasonable restriction and rule 11 was invalidated to the extent of the Rs.50 renewal fee. The petitioners were directed to pay one set of respondents' costs because they had substantially failed. (Final order: SCR 137; PDF p.30.) The other challenged customs licensing and agent-liability rules were sustained subject to the statutory limits explained in the judgment.

Source: [SCR 135-137 / PDF pp.28-30](#)

04 OUTCOME / IN WHOSE FAVOUR

Predominantly the Customs authorities, including a 4:1 majority victory on the income-tax clearance condition. Limited relief to the petitioners concerned unrestricted licence-refusal discretion and the renewal fee. This was not an income-tax assessment victory for either a taxpayer or the Income-tax Department.

Source: [Final Court order, SCR 137 / PDF p.30](#)

05 AKHB REVIEW POINT

AKHB analysis: This historical companion decision belongs with income-tax research only for the directly adjudicated tax-clearance licensing condition. It should not be presented as deciding income chargeability, assessment, exemption or recovery under the Income-tax Act. When using it for an analogous licensing dispute, identify the actual licensing provision, its purpose and the applicant's fiduciary responsibilities before comparing the required nexus. Distinguish the binding four-judge reasoning from Subba Rao J.'s separate dissent. The original Sea Customs Act and 1960 licensing context must be checked against later legislation, applicable present rules and subsequent judicial treatment before professional reliance. No present-day obligation to obtain an income-tax clearance certificate, and no current-law clearance, is certified by this note.

Source: [Editorial analysis based on SCR 119-120,135-137 / PDF pp.12-13,28-30](#)

SOURCE & VERIFICATION

[Supreme Court Reports scan - public eSCR mirror](#)

All 30 physical pages read. Judgment and separate dissent, SCR 111-137; reporter headnotes and neighbouring cases separated. SCR page pinpoints used because this report has no stable numbered paragraphs.

[Open cited source rendition](#)

Decision date is 11 August 1961; 1962 is the reporting year.

The report begins with the end of Marimuthu Nadar and ends with the start of Puthiya Wakf. Neither adjacent decision is part of this judgment.

The package metadata labels the docket as a civil appeal; the primary judicial text identifies Article 32 Petitions Nos. 80, 80A, 81 and 116 to 213 of 1960, which this note follows.

STATUTORY SCOPE

Historical Income-tax companion: constitutional validity of a tax-clearance licensing condition. No Income-tax Act assessment, arrears computation or tax-recovery order adjudicated.

LATER TREATMENT

Source checked 2026-10-17. Subsequent treatment and present licensing requirements have not been verified. No current-law clearance or modern tax-clearance obligation is represented.

IDENTIFIED SOURCE LINKS

[reported judgment - PDF pages: 30](#)

SHA-256: bb4a3704e482b205eef1d80c59ad5bc52e43a1b706dd0f345192caf2726351ee

AI DISCLOSURE

This AKHB research note was prepared with AI assistance from identified primary reports. Independent human review is not represented.

PROFESSIONAL DISCLAIMER

General legal and tax research only; not legal or tax advice. Verify the complete judgment, operative order, applicable statutory version and subsequent treatment before reliance. The AKHB REVIEW POINT is editorial analysis, not the Court's holding. No current-law clearance is claimed.