

Income-tax Officer v. Arvind N. Mafatlal

Civil Appeals Nos. 502 to 505 of 1960

[1962] Supp 3 SCR 455 | 1962-02-27

Historical rectification: whether section 35 could readjust grossing-up and tax credit while preserving a foundational shareholder error.

Indian Income-tax Act, 1922: sections 16(2), 18(5), 23A, 34 and 35

5-judge bench; unanimous judgment delivered by N. Rajagopala Ayyangar, J. | B. P. Sinha, C.J. | K. Subba Rao, J. | N. Rajagopala Ayyangar, J. | J. R. Mudholkar, J. | T. L. Venkatarama Aiyar, J.

Assessment years: Account year ending 30 September 1945

Historical statutory setting

The decision concerns rectification, deemed dividends and shareholder credits under the repealed 1922 Act; current provisions were not examined.

Fact and procedural limits

Apply the holding only within the facts, statutory text and procedural posture described in the primary report.

No current-law clearance

Later judicial treatment and current statutory applicability have not been comprehensively checked; no current-law or citator clearance is represented.

01 FACTS OF THE CASE

Three partners held company shares registered in their names but claimed them for the firm. The officer treated deemed dividend as firm income, apportioned it among four partners, added only net dividend and nevertheless allowed company-tax credit. A section 35 notice proposed grossing up while leaving the firm-ownership premise intact (SCR pp.455-459; PDF pp.1-5).

Source: [Primary judgment: facts](#)

02 DISCUSSION BY THE HON'BLE COURT

Only registered shareholders were entitled to the section 18(5) credit and corresponding section 16(2) gross-up. The original assessment therefore contained a foundational error. Rectification could correct an error but not merely re-adjust consequences to perpetuate that foundation in a form more favourable to Revenue; the notice itself did not seek the necessary correction (SCR pp.459-461; PDF pp.5-7).

Source: [Primary judgment: discussion](#)

03 JUDICIAL DECISION

All four Revenue appeals were dismissed, with no order as to costs (SCR p.461; PDF p.7).

Source: [Primary judgment: decision](#)

04 OUTCOME / IN WHOSE FAVOUR

In favour of the assessee: the challenged section 35 rectifications failed, without validating the underlying assessment theory (SCR pp.460-461; PDF pp.6-7).

Source: [Primary judgment: outcome](#)

05 AKHB REVIEW POINT

AKHB analysis: define the mistake identified in the notice and test whether the proposed correction removes it or only repairs downstream arithmetic. Current rectification powers and notice requirements must be verified independently (based on SCR pp.459-461; PDF pp.5-7).

Source: [Primary judgment: review point](#)

SOURCE & VERIFICATION

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

Full 7-page SCR source asset read in page-preserving text and visually inspected; adjacent-report boundaries were checked.

[Open cited source rendition](#)

Exact source bytes, SHA-256 and seven-page count match catalogue asset S_1962_3_455_461; every page was read and visually inspected.

The source verifies the stated case identity, bench, statutory issue and operative order.

No exact source-hash, asset-ID, SCR-citation, docket or same-judgment match was found in the published corpus or reviewed archive.

STATUTORY SCOPE

The decision concerns rectification, deemed dividends and shareholder credits under the repealed 1922 Act; current provisions were not examined.

LATER TREATMENT

Source checked 2026-10-11. Later judicial treatment and current statutory applicability have not been comprehensively checked; no current-law or citator clearance is represented.

AI DISCLOSURE

This AKHB research note was prepared with AI assistance from the identified primary report and has not been represented as independently human-reviewed.

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