

The Ahmedabad Manufacturing & Calico Printing Co. Ltd. v. S. C. Mehta, Income-tax Officer and another

Civil Appeal No. 139 of 1962

[1963] Supp 2 SCR 92 | 1962-11-14

Retrospective operation of section 35(10) to withdraw rebate after dividend declaration from previously undistributed profits

Indian Income-tax Act, 1922: section 35(10) | Finance Act, 1956: sections 19 and 28

Five-judge bench; majority opinions by A. K. Sarkar, J. and jointly by M. Hidayatullah and Raghubar Dayal, JJ.; S. K. Das and J. L. Kapur, JJ. dissented. | S. K. Das, J. | J. L. Kapur, J. | A. K. Sarkar, J. | M. Hidayatullah, J. | Raghubar Dayal, J.

Three-to-two majority

Sarkar, Hidayatullah and Raghubar Dayal, JJ. formed the majority; S. K. Das and J. L. Kapur, JJ. dissented.

01 FACTS OF THE CASE

The company received a rebate on undistributed calendar-year 1951 profits in its 1952-53 assessment. In April 1954 it declared Rs.19,32,000 as dividend out of those profits. After section 35(10) commenced on 1 April 1956, the officer withdrew the proportionate rebate and demanded Rs.1,20,750; the company challenged retrospective application.

Source: [Primary judgment: facts and provision](#)

02 DISCUSSION BY THE HON'BLE COURT

The majority read “subsequently” and “in any year,” together with the rebate scheme’s purpose, as covering dividend declarations preceding commencement. The dissent applied the presumption against retrospective impairment and considered section 35(10) prospective because the crucial event had already occurred before 1 April 1956.

Source: [Primary judgment: majority and dissenting reasons](#)

03 JUDICIAL DECISION

The majority upheld use of section 35(10) to recall the earlier rebate notwithstanding the pre-commencement dividend declaration. The High Court’s dismissal of the writ petition was affirmed.

Source: [Primary judgment: controlling holding](#)

04 OUTCOME / IN WHOSE FAVOUR

In accordance with the majority, the company’s appeal was dismissed with costs.

Source: [Primary judgment: operative order](#)

05 AKHB REVIEW POINT

AKHB analysis: when a later provision reopens a previously correct rebate, identify the event triggering withdrawal and the words fixing temporal reach. The split decision demonstrates why current reliance requires the present statutory text and later precedent rather than a generalized label of “retrospective taxation.”

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

SOURCE & VERIFICATION

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

Complete 35-page SCR asset read in page-preserving text and every page image inspected, including the leading tail of the previous report, all three opinions and the final majority order.

[Open cited source rendition](#)

Exact catalogue SHA-256 and 35-page count verified; the complete report was read and every source page image inspected.

STATUTORY SCOPE

The decision construes section 35(10) of the Indian Income-tax Act, 1922 and Finance Act, 1956 provisions that are historical.

LATER TREATMENT

Source checked 2026-10-12. No comprehensive later-treatment or present-law clearance is represented. This note reports a three-to-two historical ruling on retrospective withdrawal of a rebate.

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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