

Champan Cane Concern v. State of Bihar and Another

Civil Appeals Nos. 537, 538 and 539 of 1962

[1964] 2 SCR 921 | 1963-04-09

Agricultural Income-tax: joint cultivation, shared profits and a common manager did not by themselves establish partnership; assessment followed co-ownership shares.

Bihar Agricultural Income-tax Act, 1948: sections 2(k), 3, 13 and 28(3) | Indian Partnership Act, 1932: section 4 | Indian Income-tax Act, 1922: section 3 (comparative discussion only)

Three-judge bench; judgment delivered by S. K. Das, J. | S. K. Das, J. | A. K. Sarkar, J. | M. Hidayatullah, J.

Co-ownership is not automatic tax exemption

The common manager remained assessable for the aggregate tax payable by each co-owner under section 13. The Court rejected firm-status assessment on the facts; it did not remove the tax charge.

Substance and mutual agency matter

Shared cultivation or profits and a return labelled 'firm' were not conclusive. The Court found no agreement to form a partnership and no facts establishing mutual agency; it did not require every partnership agreement to be written.

01 FACTS OF THE CASE

The concern cultivated six farms in Champaran through a common manager appointed by two owners holding one-quarter and three-quarter shares. Its agricultural Income-tax assessments for three Fasli years treated it as a partnership firm. It claimed instead that section 13 required assessment of the common manager for the aggregate tax payable on each co-owner's share. The revenue authorities and Patna High Court rejected that position, relying on joint management, distribution of profits and the description 'firm' retained in printed returns. The Supreme Court had to decide whether the established facts legally supported partnership rather than co-ownership.

Source: [SCR923-925 / PDFpp.3-5](#)

02 DISCUSSION BY THE HON'BLE COURT

Whether a partnership exists is a mixed question of fact and law where findings rest on the wrong legal test. Partnership requires an agreement to share business profits with the business carried on by all or any acting for all. Appointing a common manager and sharing profits, or even losses, in ownership proportions were consistent with co-ownership and did not necessarily prove partnership. Crucially, nothing showed an agreement to form a partnership or that either proprietor was the other's agent. Their residence in another State and membership of different families added nothing. The use of 'partners' in the earlier reference question was a correctable mistake. The returns otherwise disclosed co-ownership, and the printed form lacked a co-ownership option; retaining 'firm' was not conclusive admission of legal partnership.

Source: [SCR928-932 / PDFpp.8-12](#)

03 JUDICIAL DECISION

The facts did not permit properly instructed authorities to infer a partnership under section 2(k) of the Bihar Act read with section 4 of the Partnership Act. They supported a co-ownership concern whose common manager was assessable under section 13. That provision assessed on the manager the aggregate of the sums payable as agricultural Income-tax by the respective persons on their shares, rather than treating the concern's entire income as that of a partnership firm.

Source: [SCR927-932 / PDFpp.7-12](#)

04 OUTCOME / IN WHOSE FAVOUR

All three appeals were allowed. The High Court's judgment and orders of 29 September 1959 were set aside, the reference was answered in favour of the assessee, and the assessee received costs throughout. The judgment gave a favourable status-and-assessment ruling; it did not quantify a refund or declare the agricultural income tax-free.

Source: [SCR932-933 / PDFpp.12-13](#)

05 AKHB REVIEW POINT

AKHB analysis: establish legal ownership shares, the management mandate, any profit-sharing agreement and whether mutual agency actually exists before choosing a tax status. Explain inaccurate form labels with contemporaneous records rather than relying on terminology alone. Do not assume that all jointly managed farms are co-ownership concerns or that absence of a written deed rules out partnership. Apply the governing assessment provision and statutory year separately; this historical Bihar ruling does not settle present central Income-tax status.

Source: [AKHB analysis based on SCR927-932 / PDFpp.7-12](#)

SOURCE & VERIFICATION

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

Complete 13-page SCR report read. Reporter headnote occupies PDF pp.1-2 and the top of p.3. Judicial text begins at SCR923 / PDFp.3 and ends at the top of SCR933 / PDFp.13. The following Addagada Raghavamma headnote on p.13 is not part of this judgment. No numbered paragraphs; SCR page pinpoints are used.

[Open cited source rendition](#)

All 13 physical source pages were read as text; PDF pp.1,3,11,13 were visually checked. Source hash, title, 9 April 1963 date, three appeal numbers and bench are verified.

SCR923 gives the Fasli years 1356, 1357 and 1358 but maps them to a non-sequential calendar-year series. This note retains the Fasli years and does not silently reconstruct or certify that calendar conversion.

No matching title/date/docket or whole-file SHA-256 was found in the published corpus and archived reviewed batches. Headnote language attributing section 2(k) ambiguously is not followed: judicial text identifies section 2(k) of the Bihar Act and section 4 of the Partnership Act.

STATUTORY SCOPE

This decision concerns representative assessment under the historical Bihar Agricultural Income-tax Act. It does not determine present central Income-tax assessment status or exempt joint agricultural operations from tax. The argument that section 13 would apply even to a partnership firm was not pursued before the Supreme Court.

LATER TREATMENT

Source checked 2026-10-14. Historical agricultural Income-tax decision. No comprehensive subsequent-treatment, review, stay or present-law verification was performed.

IDENTIFIED SOURCE LINKS

[reported judgment - PDF pages: 13](#)

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