

Sait Nagjee Purushotham and Co. v. Commissioner of Income-tax, Madras

Civil Appeals Nos. 275-276 of 1963

[1964] 6 SCR 91 | 1963-12-20

Historical section 25(4) transitional relief: the majority held that disintegration of the unitary business into two independent partnerships discontinued the business taxed under the 1918 Act, so the recombined firm could not claim succession relief on its 1948 transfer to a company.

Indian Income-tax Act, 1922: sections 25(3), 25(4), 26(1), 26(2), 66(1) and 66(2) | Indian Income-tax Act, 1918 | Indian Income-tax (Amendment) Act, 1939

3-judge bench; majority opinion by A. K. Sarkar, J. for himself and J. C. Shah, J.; dissent by M. Hidayatullah, J. | A. K. Sarkar, J. | M. Hidayatullah, J. | J. C. Shah, J.

Assessment years: 1948-49, 1949-50

Majority and dissent must remain separate

The binding disposition is the two-judge majority's dismissal. Hidayatullah J.'s conclusion that the qualifying piece-goods, yarn and banking business retained identity and earned relief is a dissent, not the Court's order.

Business-specific historical relief

Even the dissent limited relief to the activities proved to have paid tax under the 1918 Act; the later soap and umbrella businesses were outside that historic premise.

Two alternative discontinuance dates

The majority treated the old business as discontinued in October/November 1937 or, on the assessee's alternative chronology, by the deeds of 30 May 1939. It did not find a qualifying 1948 succession to the old business.

Source-boundary overlap

PDF page 1 begins with the final paragraph of Jabar Singh; PDF page 39 ends with the opening headnote of Vidyacharan Shukla. Those adjacent-case passages are not part of this judgment.

01 FACTS OF THE CASE

A business using the Sait Nagjee Purushotham name had traded since before 1918 and had paid tax under the 1918 Act. It carried on piece-goods, yarn and general-merchandise activity, banking, and later soap and umbrella activity. Events recorded in two deeds dated 30 May 1939 showed the activities divided from October/November 1937 between one partnership for soap and umbrellas and another for piece-goods, yarn and banking. A 30 October 1943 deed revoked the two deeds and recombined the activities in one partnership. That firm agreed on 7 February 1948 to transfer its business to a limited company, effective by 13 February 1948, and claimed section 25(4) relief for 1948-49 and 1949-50. The tax authorities and High Court rejected the claim (SCR pp.95-107; PDF pp.5-17).

Source: [Primary judgment: facts](#)

02 DISCUSSION BY THE HON'BLE COURT

For the majority, section 25(4) required continuity between the business taxed under the 1918 Act, the person carrying it on at the commencement of the 1939 amendment, and the later succession. Treating a taxable firm as a person did not make every same-name partnership identical. The two 1937/1939 partnerships were independent persons, and splitting a unitary business into constituent parts discontinued the original whole. The 1943 single firm was also a different person from the two firms operating on 1 April 1939. Thus the business transferred in 1948 was not the qualifying old business; even if succession had occurred in May 1939, relief could not be deferred to 1948-49 or 1949-50 (majority: SCR pp.96-108; PDF pp.6-18). Hidayatullah J. read sections 25(3) and 25(4), partnership law and the business evidence differently. In his view, changes in partners did not destroy the tax entity or the continuing piece-goods, yarn and banking business, Hemchand's involvement did not produce the asserted discontinuance, and succession first occurred on the company transfer in 1948. He would therefore allow relief for that older qualifying business, but not soap or umbrellas (dissent: SCR pp.108-129; PDF pp.18-39).

Source: [Primary judgment: discussion](#)

03 JUDICIAL DECISION

By a two-to-one majority, the Court held that the business taxed under the 1918 Act had been discontinued in October/November 1937 or by 30 May 1939 and was not in existence in 1948 in the required sense. The appeals were dismissed with costs. Hidayatullah J. recorded a dissent in favour of limited relief, but the order followed the majority (SCR pp.108, 129; PDF pp.18, 39).

Source: [Primary judgment: decision](#)

04 OUTCOME / IN WHOSE FAVOUR

In favour of the Commissioner of Income-tax/respondent. The assessee's section 25(4) claims for 1948-49 and 1949-50 failed under the majority judgment; the dissent supplied no operative relief (SCR p.129; PDF p.39).

Source: [Primary judgment: outcome](#)

05 AKHB REVIEW POINT

AKHB analysis: under any historical succession provision, trace separately the identity of the business, the statutory taxable person and the exact transfer date. A continuing trade name or a later recombination does not by itself answer whether the earlier unit was discontinued. Where opinions divide, publish the majority test and operative order first, then label the dissent and its narrower activity-specific result expressly (based on SCR pp.96-129; PDF pp.6-39).

Source: [Primary judgment: reviewPoint](#)

SOURCE & VERIFICATION

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

Full 39-page SCR report read and checked. The editorial headnote and adjacent-report boundary text were distinguished from the judicial opinion and operative order.

[Open cited source rendition](#)

Exact source bytes, SHA-256 and 39-page count match catalogue asset 1964_6_91_129; every page was reviewed.

The source verifies Civil Appeals Nos. 275-276 of 1963, the stated bench, issues, reasoning and operative result.

No published or archived standalone AKHB note with this source hash, case identity and operative decision was found.

STATUTORY SCOPE

The ruling construes the repealed Indian Income-tax Act, 1922 and its one-time transition from the 1918 Act. It does not establish present liability or current succession treatment under the Income-tax Act, 1961. No search for later judicial treatment or current-law clearance was undertaken.

LATER TREATMENT

Source checked 2026-10-10. 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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General legal and tax research only; not legal or tax advice. Verify the original judgment, the governing historical statute and subsequent judicial treatment before reliance. The AKHB REVIEW POINT is editorial analysis, not the Court's holding, and no current-law clearance is claimed.