

J. Dalmia v. Commissioner of Income Tax, New Delhi

Civil Appeal No. 505 of 1963

[1964] 7 SCR 579 | 1964-04-01

Historical interim-dividend timing: a revocable directors' resolution did not itself create an enforceable debt or amount to payment; the dividend was taxable when the company made it unconditionally available.

Indian Income Tax Act, 1922: sections 16(2) and 66(1) | Indian Companies Act, 1913: section 17(2), First Schedule Table A regulations 95-97 | Govan Bros. (Rampur) Ltd. Articles of Association: articles 73, 74, 77 and 80

3-judge bench | K. Subba Rao, J. | J. C. Shah, J. | S. M. Sikri, J.

Assessment years: 1951-52, 1952-53

Interim and final dividends differ

A company's declaration of final dividend in general meeting can create a debt; the holding concerns a directors' interim-dividend resolution that remained rescindable before payment.

Payment is not limited to cash receipt

For the historical provision, payment occurred when liability was discharged and the amount became unconditionally available; physical encashment was unnecessary.

Printed date inconsistency

The headnote places the relevant accounting close at 30 September 1950, while one judicial passage prints 30 September 1951 for the appellant's AY 1951-52 contention. The chronology and both rival assessment years are stated without silently correcting that print.

01 FACTS OF THE CASE

The appellant Hindu undivided family held 1,500 shares in Govan Bros. (Rampur) Ltd. Its directors passed an interim-dividend resolution on 30 August 1950, and the appellant received a warrant dated 28 December 1950 for Rs. 4,12,500. Revenue taxed the amount in assessment year 1952-53; the appellant contended for assessment year 1951-52. The Tribunal referred the timing question and the Punjab High Court answered for Revenue (SCR pp.580-581; PDF pp.2-3).

Source: [Primary judgment: facts](#)

02 DISCUSSION BY THE HON'BLE COURT

Section 16(2) assigned dividend income to the previous year in which it was paid, credited, distributed or deemed so. Govan Bros.' special articles authorised directors to declare interim dividend, but that wording did not make their resolution equivalent to a company's final declaration in general meeting (SCR pp.581-583; PDF pp.3-5). A directors' interim resolution could be rescinded before payment and created no enforceable shareholder debt. There was no evidence of an earlier credit, distribution, irrevocable implementation or statutory deeming event (SCR pp.583-584; PDF pp.5-6). The Court rejected mere due-ness as the timing test: payment meant discharge of the company's liability and unconditional availability, and a rescindable resolution did not meet that standard (SCR pp.585-586; PDF pp.7-8).

Source: [Primary judgment: discussion](#)

03 JUDICIAL DECISION

The Court affirmed the High Court's answer, holding that the interim declaration did not operate as payment before the company parted with the amount or otherwise discharged its obligation. The appeal was dismissed with costs (SCR p.586; PDF p.8).

Source: [Primary judgment: decision](#)

04 OUTCOME / IN WHOSE FAVOUR

In favour of Revenue. The interim dividend was taxable in assessment year 1952-53 on the facts and historical section 16(2), rather than in the earlier year urged by the assessee (SCR pp.580 and 586; PDF pp.2 and 8).

Source: [Primary judgment: outcome](#)

05 AKHB REVIEW POINT

AKHB analysis: build a dated record of the board resolution, any general-meeting action, entries in company books, segregation of funds, revocation power, unconditional availability and actual warrant or transfer. Classify the dividend and apply the governing year-specific timing rule; this 1922 Act result is not current-law clearance (based on SCR pp.581-586; PDF pp.3-8).

Source: [Primary judgment: reviewPoint](#)

SOURCE & VERIFICATION

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

Full 8-page SCR report read and checked. The editorial headnote was distinguished from the judgment text and operative order.

[Open cited source rendition](#)

Exact source bytes, SHA-256 and 8-page count match catalogue asset 1964_7_579_586; the full extracted report and operative pages were reviewed.

The source verifies Civil Appeal No. 505 of 1963, the stated bench, issues, reasoning and operative result.

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

STATUTORY SCOPE

The Court construed section 16(2) of the 1922 Act before its deletion from 1 April 1960 and historical company articles. It does not clear the timing of dividends under later or current tax and company legislation.

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.

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