

Commissioner of Income Tax, Madras v. The Amrutanjan Ltd., Madras

Civil Appeals Nos. 521 to 523 of 1963

[1964] 8 SCR 9 | 1964-04-28

Deemed dividend distribution: failure of the statutory public-shareholding presumption did not establish a controlling group; Revenue had not investigated actual voting control.

Indian Income Tax Act, 1922: section 23A(1), third proviso and Explanation (before the Finance Act, 1955 amendment)

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

Assessment years: See the source-scope notes; no year inferred.

Presumption did not apply

The Court rejected the High Court's interpretation of the Explanation; the result was sustained on the different ground of missing control-group findings.

Director status was not conclusive

A director outside the controlling group could belong to the public for this provision; actual concerted control required examination.

01 FACTS OF THE CASE

Amrutanjan had 2,500 ordinary and 3,000 preference shares, each carrying one vote. Ramayamma held 2,185 ordinary shares and her daughter held 250. For the three accounting years ending 31 March 1947, 1948 and 1949, distributions fell below the statutory proportion. Revenue deemed the undistributed balance distributed under section 23A. The High Court held the company outside that provision as one in which the public were substantially interested. The present appeals concerned that conclusion (SCR pp. 11-13; PDF pp. 3-5).

Source: [Primary judgment: facts](#)

02 DISCUSSION BY THE HON'BLE COURT

The Court explained the provision's aim of preventing controlled companies from accumulating profits to avoid shareholders' higher super-tax. The Explanation created a conclusive presumption, not an exhaustive definition. Shares entitled to fixed dividends could not supply the public's qualifying twenty-five per cent holding, although all shares' voting rights mattered in determining total voting power. The presumption failed on the holdings here. That failure did not settle whether actual control lay with one shareholder or a concerted group; directors were not automatically outside the public. Revenue had made no investigation into such control (SCR pp. 14-18; PDF pp. 6-10).

Source: [Primary judgment: discussion](#)

03 JUDICIAL DECISION

The Court confirmed the High Court's result on different grounds and dismissed all three Revenue appeals with costs and one hearing fee. It expressly rejected the High Court's reading of the Explanation and rested the result on the absence of investigation into controlling interest (SCR p. 18; PDF p. 10).

Source: [Primary judgment: decision](#)

04 OUTCOME / IN WHOSE FAVOUR

In favour of the assessee in the appeals. The Court did not find the Explanation's twenty-five per cent presumption satisfied or make a fresh affirmative factual finding that no controlling group existed (SCR pp. 17-18; PDF pp. 9-10).

Source: [Primary judgment: outcome](#)

05 AKHB REVIEW POINT

AKHB analysis: separate a statutory presumption from the underlying factual test. A shareholding chart should identify voting rights by class, fixed-dividend rights, beneficial ownership and evidence of concerted control. Failure to satisfy a deeming safe harbour does not itself prove the opposite factual conclusion (analysis based on SCR pp. 15-18; PDF pp. 7-10).

Source: [Primary judgment: reviewPoint](#)

SOURCE & VERIFICATION

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

Full 10-page SCR report read and checked. The editorial headnote was distinguished from the judgment text and operative order.

[Open cited source rendition](#)

The source report contains 10 pages. Reporter headnotes and adjacent-case text are distinguished from the target judgment and operative order.

The primary source identifies Civil Appeals Nos. 521 to 523 of 1963, the stated bench, issues, reasoning and operative result.

STATUTORY SCOPE

The ruling concerns the pre-1955 version of section 23A and deemed distribution of undistributed profits under the 1922 Act. Its voting thresholds are historical and are not presented as the current definition of a company in which the public are substantially interested.

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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