

Commissioner of Income-tax, Madras v. Sivakasi Match Export Company

Civil Appeal No. 700 of 1963

[1964] 8 SCR 18 | 1964-04-29

Firm registration: financing by parent firms and onward sharing of partners' profits did not make an otherwise genuine individual partnership bogus; the majority upheld registration.

Indian Income-tax Act, 1922: sections 26A, 33B and 66(2) | Indian Income-tax Rules, 1922: rules 2, 3, 4 and 6B | Indian Partnership Act, 1932: section 4

3-judge bench; majority 2:1 | K. Subba Rao, J. | J. C. Shah, J. | S. M. Sikri, J.

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

Divided bench

Subba Rao and Sikri JJ formed the majority; Shah J dissented on reference jurisdiction and compliance with registration requirements.

Different earlier firm

The report's reference to assessment year 1949-50 concerns the earlier representative partnership, not an expressly identified assessment year for the new deed under review.

01 FACTS OF THE CASE

After registration of an earlier arrangement was refused, five individuals associated with match factories executed a new partnership deed on 1 April 1950 for banking, commission and distribution business. The officer registered it in 1952, but the Commissioner cancelled registration in revision and the Tribunal treated the deed as simulated. The High Court found the named individuals to be the actual partners. Capital funding by one parent firm, sharing profits with other factory partners and the commission clause were central to the dispute (SCR pp.21-22 and 25-27; PDF pp.4-5 and 8-10).

Source: [Primary judgment: facts](#)

02 DISCUSSION BY THE HON'BLE COURT

The majority held that section 26A required inquiry into a compliant application and a genuine, legally existing firm; refusal could not rest on speculation. Read together, the deed preserved the new firm's business and loss-bearing identity. Borrowing capital from a parent firm or passing profits to sub-partners did not itself invalidate the partnership. Misconstruction of the deed and reliance on irrelevant matters raised a question of law. Shah J dissented: he regarded the Tribunal's cumulative factual inference as binding on the question referred and considered that the real partners had not complied with the registration formalities (majority SCR pp.22-28, PDF pp.5-11; dissent SCR pp.28-36, PDF pp.11-19).

Source: [Primary judgment: discussion](#)

03 JUDICIAL DECISION

In accordance with the majority opinion, the Court dismissed Revenue's appeal with costs. The High Court's negative answer to whether refusal of registration was correct in law stood (SCR pp.28 and 36; PDF pp.11 and 19).

Source: [Primary judgment: decision](#)

04 OUTCOME / IN WHOSE FAVOUR

In favour of the assessee/respondent by majority on registration. Shah J's contrary reasoning is a dissent and must not be presented as the Court's operative holding (SCR p.36; PDF p.19).

Source: [Primary judgment: outcome](#)

05 AKHB REVIEW POINT

AKHB analysis: distinguish the actual contracting partners, their source of capital and their later use or sharing of profits. Preserve the deed, account entries and evidence of who bears losses. In appellate drafting, isolate legal misconstruction or irrelevant evidence from a request to reappraise facts, and state the majority/dissent split accurately. Present-day firm treatment and professional restrictions require separate checks (based on SCR pp.24-28 and 33-36; PDF pp.7-11 and 16-19).

Source: [Primary judgment: reviewPoint](#)

SOURCE & VERIFICATION

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

Full 19-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 19 pages. Reporter headnotes and adjacent-case text are distinguished from the target judgment and operative order.

The primary source identifies Civil Appeal No. 700 of 1963, the stated bench, issues, reasoning and operative result.

STATUTORY SCOPE

The case addresses the former section 26A registration regime under the 1922 Act. It does not establish present firm-tax treatment, professional partnership permissions or unrestricted protection for tax-reduction arrangements.

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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