

# Commissioner of Income Tax, Gujarat v. Ashokbhai Chimanbhai

Civil Appeal No. 817 of 1963

[1965] 1 SCR 758 | 1964-10-20

**Accrual of partnership profit after HUF partition: embedded trading results did not accrue to a partner until the contractual accounting date created a right to receive profit.**

Indian Income Tax Act, 1922: sections 3 and 4

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

Assessment years: 1955-56

## Accrual depended on the deed

The partnership accounts and profit entitlement arose only at the agreed year-end.

## Not an assignment of accrued income

The Court found that the HUF had no existing right in the profit when the partition occurred.

## 01 FACTS OF THE CASE

Ashokbhai represented his HUF as a five-anna partner in Amrit Chemicals. The firm's accounts were made up each 31 December. A partition deed executed on 12 November 1955 made Ashokbhai individually entitled to the partnership interest and the 1955 profit. Revenue apportioned the annual share between the HUF and Ashokbhai by time, although the accounts were settled after partition.

Source: [Case identity, facts and procedural history](#)

## 02 DISCUSSION BY THE HON'BLE COURT

The Court distinguished profit embedded in daily receipts from accrued income. Profit ordinarily requires comparison at the contractual accounting point, and accrual requires an enforceable right to receive. Under this partnership deed no partner could demand the annual profit before year-end. When the right arose on 31 December, the HUF had already ceased to own the interest. The firm's non-separate legal personality did not justify attributing an unascertained share to the former HUF.

Source: [Court's reasoning and statutory analysis](#)

### 03 JUDICIAL DECISION

The Court dismissed Revenue's appeal and upheld the negative answer to the reference: none of the five-anna share for calendar year 1955 accrued to or was taxable in the HUF's hands.

Source: [Holding and operative order](#)

### 04 OUTCOME / IN WHOSE FAVOUR

In favour of the assessee HUF/respondent. The full annual share accrued to Ashokbhai individually after partition.

Source: [Operative result](#)

### 05 AKHB REVIEW POINT

AKHB analysis: for partnership-profit attribution around a partition, retirement or transfer, inspect the deed, accounting date and point at which an enforceable right to profit arises. Do not equate economic activity during a period with legal accrual to a person who then lacks the right to receive it.

Source: [Primary reasoning underlying the AKHB analysis](#)

### SOURCE & VERIFICATION

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

Full 12-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 12-page count match catalogue asset 1965\_1\_758\_769; the full extracted report and operative pages were reviewed.

The source verifies Civil Appeal No. 817 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 case applies the accrual concept under the 1922 Act to a historical partnership and HUF partition. Current treatment requires the present partnership, HUF and accrual provisions.

### 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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