

Commissioner of Income-tax, Ahmedabad v. A. Abdul Rahim & Co., Baroda

Civil Appeal No. 982 of 1963

[1965] 2 SCR 13 | 1964-11-04

Registration of a genuine multi-partner firm could not be refused merely because one partner was the benamidar of another partner.

Indian Income-tax Act, 1922: sections 2(6B), 26A and 59 | Income-tax Rules under the 1922 Act: rules 2 to 6B | Indian Partnership Act, 1932: section 4

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.

Genuineness remained essential

The rule applied because the Tribunal found a genuine, valid firm with more than two persons and properly specified partner shares. It did not protect bogus partners or sham firms.

Questions expressly reserved

The Court did not finally decide a two-person arrangement where one is benamidar for the other, or a case in which a supposed partner is only a dummy.

01 FACTS OF THE CASE

A three-person goat-and-sheep-skins firm was reconstituted for Samvat year 2012 by adding Abdul Rehman Kalubhai, nephew of Abdul Rahim Valibhai, with two annas carved from Valibhai's former nine-annas share. The deed dated 6 March 1956 gave the four partners shares of seven, five, two and two annas, and the firm sought registration on 8 May 1956. The Income-tax Officer treated the fourth partner as a benamidar and the firm as bogus. The Appellate Assistant Commissioner, Tribunal and Gujarat High Court found the partnership genuine and held that benami status alone did not bar registration. Revenue argued in the Supreme Court both that the fourth partner was a dummy and that the deed understated Valibhai's beneficial share.

Source: [Reconstitution, registration proceedings and Revenue's arguments: SCR pp.14-16 / PDF pp.2-4](#)

02 DISCUSSION BY THE HON'BLE COURT

Under section 26A and the rules, registration depended on a genuine and valid partnership, a compliant instrument and correctly specified individual shares. Once those matters were satisfied, a benamidar's presence was not a separate legal bar. Section 2(6B) imported the Partnership Act meaning, under which partners agree to share profits of a business carried on by all or any acting for all. A benamidar may have no beneficial interest and remain accountable to the real owner, yet has a separate legal existence toward the other partners, bears partnership rights and liabilities and can enter a partnership like a trustee. The internal arrangement concerns the profits after they accrue and does not alter the share specified by the partnership deed. The Court reserved cases involving only two persons who are effectively one, or a factual finding that a supposed partner is merely a dummy.

Source: [Section 26A conditions and genuineness requirement: SCR pp.16-18 / PDF pp.4-6](#); [Benamidar's legal capacity, reserved questions and final rule: SCR pp.19-21 / PDF pp.7-9](#)

03 JUDICIAL DECISION

The Supreme Court held that an Income-tax Officer may reject registration if the firm is not genuine or the instrument does not correctly specify the partners' shares, but cannot refuse registration of an otherwise genuine and valid multi-partner firm merely because one partner is the benamidar of another. The benamidar's stated share was the correct individual share for partnership purposes; beneficial ownership could matter in assessment, not registration. Revenue's appeal was dismissed with costs.

Source: [Distinguished sham cases, governing rule and dismissal: SCR pp.20-21 / PDF pp.8-9](#)

04 OUTCOME / IN WHOSE FAVOUR

In favour of the assessee-firm. Its registration was not defeated by one partner's benami relationship because the firm itself was found genuine and valid and the deed correctly stated the partners' legal shares.

Source: [Appeal dismissed with costs: SCR p.21 / PDF p.9](#)

05 AKHB REVIEW POINT

AKHB analysis: the case draws a strict line between the legal composition of a genuine firm and the beneficial arrangement behind one partner. Before relying on it, establish the firm's factual genuineness, the deed's true operation and correct legal shares; then separately test beneficial ownership, tax attribution and present anti-benami law. The judgment does not approve dummy partners or sham structures.

Source: [AKHB analysis based on the limited registration holding](#)

SOURCE & VERIFICATION

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

Full 9-page SCR report read and visually checked. The editorial headnote on PDF pp.1-2 was distinguished from Subba Rao J.'s unnumbered judgment beginning on PDF p.2 (SCR p.14) and ending on PDF p.9 (SCR p.21).

Open cited source rendition

Exact source bytes, SHA-256 and 9-page count match catalogue asset 1965_2_13_21; every page was read as extracted text and inspected as a rendered image.

The judicial text verifies Civil Appeal No. 982 of 1963, the three-member bench, the section 26A registration issue and dismissal of Revenue's appeal with costs.

No published AKHB record with this party identity, case number or source asset was found; Abdul Rahim Osman & Co. is a different later taxpayer and Bagyalakshmi is a separate companion judgment.

STATUTORY SCOPE

The decision concerns section 26A registration under the repealed Indian Income-tax Act, 1922 and then-recognised benami relationships. Current partnership taxation, registration, beneficial-ownership and anti-benami law require independent analysis.

LATER TREATMENT

Source checked 2026-10-10. Comprehensive later treatment, statutory changes affecting benami arrangements and current firm-registration rules have not been checked; no current-law or citator clearance is represented.

AI DISCLOSURE

AI-assisted research. The AKHB Review Point is editorial analysis, not part of the Court's judgment.

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