

Commissioner of Income-tax, Madras v. Bagyalakshmi & Co., Udamalpet

Civil Appeals Nos. 1099-1101 of 1963

[1965] 2 SCR 22 | 1964-11-04

Registration of a genuine firm: partnership shares were governed by the partnership deed despite different beneficial interests allocated among members of a divided Hindu family.

Indian Income-tax Act, 1922: sections 26A and 33B | Indian Partnership Act, 1932: contractual character of partnership | Hindu law: partition and representative interest

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

Assessment years: 1952-53, 1953-54, 1954-55

Partnership rights distinguished from beneficial interests

The holding depended on an admittedly genuine and valid partnership; it separated shares under the partnership deed from accountability under a family partition arrangement.

Historical registration regime

Section 26A of the 1922 Act is repealed. The judgment cannot substitute for present statutory registration, beneficial-ownership or anti-abuse analysis.

01 FACTS OF THE CASE

The assessee-firm managed Palani Andavar Mills Ltd. Two partners, Guruswamy Naidu and Venkatasubba Naidu, represented a Hindu undivided family's aggregate ten-annas interest. After a family partition dated 24 August 1950 allocated smaller beneficial fractions to those two and interests to other family members, a new partnership deed dated 30 November 1950 still allotted them seven-and-a-half and two-and-a-half annas respectively. The firm was registered for AYs 1952-53 to 1954-55. After the Tribunal accepted the two partners' personal assessment claim based on the family partition, the Commissioner used section 33B to cancel the firm's registration on the theory that the partnership deed misstated their shares. The Tribunal affirmed, but the Madras High Court ruled for the firm.

Source: [Partnership, family partition, registration and reference history: SCR pp.23-25 / PDF pp.2-4](#)

02 DISCUSSION BY THE HON'BLE COURT

The Court treated a partnership as a creature of contract, a Hindu joint family as a relationship of status and income-tax assessment as a distinct statutory field. A partner can act personally within the firm while being a karta, trustee, sub-partner, representative or benamidar in relation to others. Those third parties cannot enforce rights against the other partners; their claim is to the representative partner's profits under the applicable arrangement. Because the firm was admittedly genuine and valid, its deed correctly stated the partners' shares even though their beneficial obligations within the divided family differed. Charandas Haridas supported the separation: a family partition can change beneficial ownership for tax purposes without changing the partner's position vis-a-vis the firm.

Source: [Dual capacity and distinct legal fields: SCR pp.26-27 / PDF pp.5-6; Charandas Haridas application and conclusion: SCR p.28 / PDF p.7](#)

03 JUDICIAL DECISION

The Supreme Court held that the partnership deed correctly specified the shares of Guruswamy Naidu and Venkatasubba Naidu for the genuine firm. Their different beneficial interests under the family partition affected accountability within the divided family, not their shares or capacity vis-a-vis the other partners. The High Court's answers were upheld, and Revenue's three appeals were dismissed with costs and one hearing fee.

Source: [Partnership-share holding and operative dismissal: SCR pp.27-28 / PDF pp.6-7](#)

04 OUTCOME / IN WHOSE FAVOUR

In favour of the assessee-firm. Its registration for the three assessment years was sustained because the partnership was genuine and its deed correctly governed partner shares notwithstanding separate family beneficial interests.

Source: [Appeals dismissed with costs; one hearing fee: SCR p.28 / PDF p.7](#)

05 AKHB REVIEW POINT

AKHB analysis: document separately the partner's contractual share, any representative or beneficial arrangement behind that share, and the statutory basis for taxing each person. This judgment protects the distinction only where the firm and deed are genuine. It should not be cited to validate a sham arrangement or to bypass current beneficial-ownership and anti-abuse rules.

Source: [AKHB analysis based on the dual-capacity distinction](#)

SOURCE & VERIFICATION

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

Full 7-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.23) and ending on PDF p.7 (SCR p.28).

Open cited source rendition

Exact source bytes, SHA-256 and 7-page count match catalogue asset 1965_2_22_28; every page was read as extracted text and inspected as a rendered image.

The judicial text verifies Civil Appeals Nos. 1099-1101 of 1963, all three assessment years, the three-member bench and dismissal of Revenue's appeals with one hearing fee.

No published AKHB record with this party identity, case numbers or source asset was found; the companion A. Abdul Rahim judgment was checked and is a separate decision.

STATUTORY SCOPE

The decision construes firm registration under section 26A of the repealed Indian Income-tax Act, 1922 against historical partnership and Hindu-law arrangements. Current entity taxation, registration and beneficial-ownership rules require separate analysis.

LATER TREATMENT

Source checked 2026-10-10. Comprehensive later treatment of partner capacity, beneficial interests, firm registration and current anti-benami or tax provisions has 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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