

Punjab Distilling Industries Ltd. v. Commissioner of Income-tax, Punjab

Civil Appeal No. 414 of 1965

[1965] 3 SCR 1 | 1965-02-09

Deemed dividend: constitutional validity and timing of distribution through capital reduction.

Indian Income-tax Act, 1922: sections 2(6A)(d) and 16(2) | Finance Act, 1956: First Schedule | Indian Companies Act, 1913: sections 55, 56, 60, 61 and 62

5-judge bench; unanimous on validity; 3:2 majority by K. Subba Rao, J. on distribution timing. | K. Subba Rao, J. | Raghubar Dayal, J. | J. R. Mudholkar, J. | R. S. Bachawat, J. | V. Ramaswami, J.

Assessment years: 1956-57

Historical statutory setting

This historical 1922 Act, 1956 Finance Act and 1913 company-law setting does not determine current deemed-dividend treatment.

Fact, opinion and procedural limits

Apply the holding only within the facts, statutory text, opinion structure and procedural posture described in the primary report.

No current-law clearance

Later judicial treatment and current statutory applicability have not been comprehensively checked; no current-law or citator clearance is represented.

01 FACTS OF THE CASE

After resolving to reduce capital and refund Rs.2 per share, the company obtained court confirmation and registration in 1954, but account credits and refunds occurred in the year ending 30 November 1955. Revenue treated accumulated-profit amounts as dividend for AY 1956-57 (SCR pp.3-5; PDF pp.3-5).

Source: [Primary judgment: facts](#)

02 DISCUSSION BY THE HON'BLE COURT

The tax-on-income field permitted an anti-avoidance deeming rule despite company-law capital form. The 3-judge majority held distribution required actual or constructive payment or credit; the resolution and certificate were preparatory. The 2-judge dissent treated registration as allotment and would use AY 1955-56 (SCR pp.5-16; PDF pp.5-16).

Source: [Primary judgment: discussion](#)

03 JUDICIAL DECISION

By majority the appeal was dismissed with costs, sustaining AY 1956-57 timing (SCR p.16; PDF p.16).

Source: [Primary judgment: decision](#)

04 OUTCOME / IN WHOSE FAVOUR

In favour of Revenue by 3:2 majority on timing; the separate bottle-security question was not decided (SCR pp.10-16; PDF pp.10-16).

Source: [Primary judgment: outcome](#)

05 AKHB REVIEW POINT

AKHB analysis: separate the date fixing accumulated profits from the date a deemed dividend becomes distributed. Under the majority, a capital-reduction resolution or certificate did not substitute for actual or constructive payment or credit (based on SCR pp.7-10; PDF pp.7-10).

Source: [Primary judgment: review point](#)

SOURCE & VERIFICATION

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

Full 16-page SCR source asset read in page-preserving text and visually inspected; adjacent-report boundaries were checked.

[Open cited source rendition](#)

Catalogue source 1965_3_1_16: SHA-256

a8837991f4c415d15246c9a6cb70b3e7c0f3a70588f31f367421aaf036b7d021, 16 pages, read and visually inspected in full.

The published original preserves the exact catalogue bytes and verified hash.

The source verifies identity, bench, provisions, material opinion split and operative order.

No exact source-hash, asset-ID, SCR-citation, docket or same-judgment publication match was found.

STATUTORY SCOPE

This historical 1922 Act, 1956 Finance Act and 1913 company-law setting does not determine current deemed-dividend treatment.

LATER TREATMENT

Source checked 2026-10-11. Later judicial treatment and current statutory applicability have not been comprehensively checked; no current-law or citator clearance is represented.

AI DISCLOSURE

This AKHB research note was prepared with AI assistance from the identified primary report and has not been represented as independently human-reviewed.

PROFESSIONAL DISCLAIMER

General legal and tax research only; not legal or tax advice. Verify the original judgment, the governing historical statute and subsequent judicial treatment before reliance. The AKHB REVIEW POINT is editorial analysis, not the Court's holding, and no current-law clearance is claimed.