

Commissioner of Income Tax, Bangalore v. Shah Mohandas Sadhuram

Civil Appeals Nos. 144 and 145 of 1964

[1965] 3 SCR 771 | 1965-04-15

Firm registration: guardian could accept partnership benefits and lawful conditions for minors where the deed, reasonably construed, did not make them full partners.

Indian Income Tax Act, 1922: sections 26A and 66A(2) | Indian Partnership Act, 1932: sections 30(2), 30(4), 30(5) and 48

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

Assessment years: 1953-54, 1954-55

Minor was not a full partner

The result depended on a reasonable construction of this deed as conferring benefits only; a document making a minor fully liable as a partner remained invalid for registration.

Supplementary deed not material

The supplementary deed was absent from the stated case, but the parties agreed that none of its clauses affected the result.

01 FACTS OF THE CASE

After a four-member joint family divided on 31 March 1952, the two adult members formed a firm and the deed dated 1 April 1952 stated that two minors were admitted to its benefits but not liabilities. Other clauses addressed equal capital, allocation of profits and losses, duration and accounts. For AYs 1953-54 and 1954-55 the Income Tax Officer refused section 26A registration, reasoning that the guardian had contracted for the minors, a minor had been debited a loss and the original deed was not registrable. The appellate authority agreed, but the Tribunal construed the deed as conferring benefits only. The Mysore High Court answered Revenue's reference for the assessee.

Source: [Reference question and deed recital: SCR p.772 / PDF p.2](#); [Relevant clauses and refusal of registration: SCR pp.773-774 / PDF pp.3-4](#)

02 DISCUSSION BY THE HON'BLE COURT

A deed making a minor a full partner could not be registered merely by reconstructing a different valid relationship. But section 30 of the Partnership Act contemplated admission to benefits without personal liability for losses, capital contributed for a minor, severance by a guardian and the minor's later election on majority. A guardian could therefore scrutinise and accept lawful conditions needed to confer and receive those benefits. Read reasonably with its express recital, this deed did not make the minors full partners. Capital contribution could be a condition of receiving benefits, duration was fixed by the adults, and the guardian could accept benefits for that period. The accounts clause was also permissible. A potentially avoidable guardian transaction remained effective unless avoided; future unlawful terms could be challenged when made. The stray loss debit did not override the legal construction adopted.

Source: [Full-partner prohibition and guardian issue: SCR pp.774-775 / PDF pp.4-5](#); [Guardian's authority under section 30: SCR p.775 / PDF p.5](#); [Reasonable construction of the deed: SCR p.776 / PDF p.6](#)

03 JUDICIAL DECISION

The Court held that the deed admitted the two minors only to partnership benefits and did not make them full partners. The guardian's assent to the relevant terms effectuated that lawful arrangement. The income-tax authorities should not have declined registration; the referred question was answered affirmatively and Revenue's appeals were dismissed with costs, one set of hearing fees.

Source: [Registration holding and dismissal: SCR p.776 / PDF p.6](#)

04 OUTCOME / IN WHOSE FAVOUR

In favour of the assessee-firm. Registration under section 26A was available because the deed, properly read, conferred benefits on the minors without constituting them full partners.

Source: [Revenue appeals dismissed: SCR p.776 / PDF p.6](#)

05 AKHB REVIEW POINT

AKHB analysis: in a minor-benefit partnership file, read the instrument as a whole and distinguish a lawful acceptance of benefits and related conditions from personal status, agency powers and liability as a full partner. Check the recital, loss clause, capital terms, duration, management rights and accounts together; preserve evidence of any actual loss debit but do not let bookkeeping replace deed construction. Current registration and tax consequences require fresh review of today's statute, rules and later authorities.

Source: [AKHB analysis based on the deed-construction and minor-benefit holding](#)

SOURCE & VERIFICATION

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

Full 6-page SCR report read and visually checked. The editorial headnote on PDF p.1 was distinguished from Sikri J.'s judgment beginning on PDF p.2 and continuing through PDF p.6.

Open cited source rendition

Exact source bytes, SHA-256 and 6-page count match catalogue asset 1965_3_771_776; every page was read as extracted text and inspected as a rendered image.

The judicial text verifies Civil Appeals Nos. 144 and 145 of 1964, the three-member bench, both assessment years and the limited deed-construction and registration holding.

No published AKHB record or archived reviewed release with this party identity, citation, case numbers or source asset was found.

STATUTORY SCOPE

The ruling concerns firm registration under section 26A of the repealed Indian Income Tax Act, 1922 and the minor-benefit rules in the Indian Partnership Act, 1932 as applied to the deed before the Court. It is not current registration, tax-status or partnership-law clearance.

LATER TREATMENT

Source checked 2026-10-10. Later treatment, changes in firm taxation and registration, and present partnership-law consequences have not been comprehensively checked; no current-law or citator clearance is represented.

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