

Russa H. Mehta Trust, Bombay v. Commissioner of Income-tax, Bombay City I

Civil Appeals Nos. 589 and 590 of 1964

[1966] 2 SCR 579 | 1965-11-12

Merged States tax concession: paragraph 4 did not preserve the former section 14(2)(c) exemption for a British Indian resident's dividend income arising in Baroda after merger.

Indian Income-tax Act, 1922: sections 2(14A), 4, 4A, 4B, 14(2)(c), 60A and 66(1) | Taxation Laws (Extension to Merged States and Amendment) Act, 1949: sections 3 and 7 | Merged States (Taxation Concessions) Order, 1949: paragraphs 4, 5, 6 and 6A | States' Merger (Governors' Provinces) Order, 1949: paragraphs 3 and 4

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

Assessment years: Calendar years 1948 and 1949 (assessment years not stated in the report)

Obsolete merger-transition regime

The ruling interprets a 1949 concession order and territorial definitions arising from State merger. It must not be used as a current residence, source, exemption or rebate rule.

01 FACTS OF THE CASE

The Bombay private trust, resident and ordinarily resident in British India in 1948, held 1,000 shares in an investment company. In calendar years 1948 and 1949 it received at Billimora in Baroda dividends of Rs.65,000 and Rs.2,10,000 from income retained by the company there, and did not bring those dividends into British India. The officer initially accepted exemption under section 14(2)(c), but the Commissioner revised that view. The Tribunal found the income arose in Baroda yet held that, after the changed definition of taxable territories, it was taxable and did not qualify for the rate rebate under paragraph 6. The Bombay High Court likewise rejected the rebate claim and declined to answer the separate place-of-accrual question.

Source: [Trust identity, Baroda dividends and assessment history: SCR pp.580-581 / PDF pp.2-3](#); [Referred questions and undisputed retention in Baroda: SCR pp.581-582 / PDF pp.3-4](#)

02 DISCUSSION BY THE HON'BLE COURT

The Court traced the merger of Baroda, extension of the 1922 Act and repeal of corresponding State laws. The concession order cushioned residents of merged States against the sudden application of higher Indian rates. Paragraph 4 did not itself grant an exemption; it identified the slice of income to which specified concessions applied. Read with sections 4, 4A, 4B and 14(2)(c), its hypothetical words 'had he been resident in British India' extended protection to persons who had not previously been British Indian residents. They did not preserve for actual pre-merger British Indian residents the former exemption on merged-State income. Once merger placed Baroda within British India, income arising there no longer arose in an Indian State for section 14(2)(c). The Court found neither text nor context extending the concession to the trust's category.

Source: [Merger legislation and concession-order provisions: SCR pp.582-585 / PDF pp.4-7; Paragraph 4's limited function and hypothetical-residence reasoning: SCR pp.586-588 / PDF pp.8-10](#)

03 JUDICIAL DECISION

The Court held that paragraph 4's concessions were not given to persons who had been residents of British India before merger and did not continue their earlier section 14(2)(c) exemption for income arising in the merged territory. It answered the rebate question against the trust, found it unnecessary to answer the second accrual question, and dismissed both appeals with costs.

Source: [No concession for pre-merger British Indian residents and dismissal: SCR pp.587-588 / PDF pp.9-10](#)

04 OUTCOME / IN WHOSE FAVOUR

In favour of the Revenue. The trust received no merged-State rate rebate on these dividends, and its appeals failed. The Court did not answer the separate question whether the dividend income accrued or arose at Bombay because its paragraph 4 ruling disposed of the claim.

Source: [Second question left unanswered and appeals dismissed: SCR p.588 / PDF p.10](#)

05 AKHB REVIEW POINT

AKHB analysis: for a transitional tax concession, identify whether a provision substantively grants relief or merely defines the income and taxpayers reached by another relief provision. Build a dated map of territorial changes, residence status, source and receipt, then apply the exact counterfactual language without converting legislative transition relief into a general equity. This historical merger ruling supplies no current residence, source or rebate answer.

Source: [AKHB analysis based on the function of paragraph 4 and its residence counterfactual](#)

SOURCE & VERIFICATION

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

Full 10-page SCR report read and visually checked. The editorial headnote spanning PDF pp.1-2 was distinguished from Shah J.'s judgment beginning on PDF p.2; the statutory history, concession-order text and operative dismissal through PDF p.10 were reviewed.

Open cited source rendition

Exact source bytes, SHA-256 and 10-page count match catalogue asset 1966_2_579_588; every PDF page was read and visually checked.

The judicial text verifies Civil Appeals Nos. 589 and 590 of 1964, decision on 12 November 1965, the three-member bench and dividend receipts in calendar years 1948 and 1949.

No Russa H. Mehta Trust party/decision record was found in content/supreme-court-cases.json or the reviewed-release archive; a different record bearing later Civil Appeal Nos. 589 and 590 is not a duplicate.

STATUTORY SCOPE

This decision concerns transitional provisions following the 1949 merger of former Indian States, the repealed Indian Income-tax Act, 1922 and an historical concession order. Those territorial and rate-transition provisions are not a current exemption or rebate regime.

LATER TREATMENT

Source checked 2026-10-10. Later treatment has not been comprehensively checked. The transitional merged-State regime is historical, and no present territorial-tax, exemption, rebate or citator conclusion is represented.

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