

Commissioner of Income-tax, Punjab v. Chander Bhan Harbhajan Lal

Civil Appeal No. 605 of 1963

[1966] 3 SCR 176 | 1966-01-04

Partnership registration: a named partner's outside profit-sharing arrangement did not substitute outsiders as partners.

Indian Income-tax Act, 1922: sections 26A and 66(1)-(2) | Indian Partnership Act, 1932: section 4

3-judge bench; majority opinion by R. S. Bachawat, J.; J. R. Mudholkar, J. dissenting. | A. K. Sarkar, J. | J. R. Mudholkar, J. | R. S. Bachawat, J.

Assessment years: 1953-54

Historical statutory setting

The ruling concerns repealed partnership-registration and reference machinery; current registration and partner-limit rules require separate review.

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

A fourteen-partner firm included Chander Bhan, who sourced capital from another firm and shared outside profits with its members. Revenue treated that other firm or all its members as the real partner and refused section 26A registration (SCR pp.178-180; PDF pp.3-5).

Source: [Primary judgment: facts](#)

02 DISCUSSION BY THE HON'BLE COURT

The partnership deed named Chander Bhan personally; the other firm was not a party. External funding and profit-sharing obligations did not make outsiders partners in the principal firm. The majority found no substantial question requiring reference; Mudholkar J. would have directed one on real partners and the partner limit (SCR pp.181-192; PDF pp.6-17).

Source: [Primary judgment: discussion](#)

03 JUDICIAL DECISION

By majority the appeal was dismissed with costs, leaving the Tribunal's registration result intact (SCR p.192; PDF p.17).

Source: [Primary judgment: decision](#)

04 OUTCOME / IN WHOSE FAVOUR

In favour of the assessee firm on the attempted compulsory reference; separate appeals mentioned in the terminal order lacked analysed facts (SCR p.192; PDF p.17).

Source: [Primary judgment: outcome](#)

05 AKHB REVIEW POINT

AKHB analysis: distinguish contractual membership in the firm from a partner's separate funding, representative or profit-sharing obligations. Read the deed and external arrangement separately (based on SCR pp.181-184; PDF pp.6-9).

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

SOURCE & VERIFICATION

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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

The ruling concerns repealed partnership-registration and reference machinery; current registration and partner-limit rules require separate review.

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.

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