

Jugal Kishore Baldeo Sahai v. Commissioner of Income-tax, U.P., Lucknow

Civil Appeal Nos. 594 to 600 of 1965

[1967] 1 SCR 416 | 1966-09-20

1922 Act HUF business expenditure: reasonable remuneration paid to the karta under a valid, bona fide and commercially expedient family agreement was deductible.

Indian Income-tax Act, 1922: section 10(2)(xv) | Hindu law concerning a karta's management and agreements on behalf of minor coparceners

2-judge bench | J. C. Shah, J. | V. Bhargava, J.

Assessment years: 1946-47, 1947-48, 1948-49, 1949-50, 1950-51, 1951-52, 1952-53

Historical HUF and 1922 Act setting

The result depended on a valid family agreement, benefit to represented minors, commercial expediency, genuine services and reasonable remuneration. Verify all present statutory and personal-law requirements independently.

01 FACTS OF THE CASE

The assessee HUF ran a cloth commission-agency business and also earned property and partnership income. Its karta, Babu Ram, represented the family in the partnership businesses. In June 1946 he proposed remuneration of Rs.1,000 per month for managing the businesses; his brother Gobardhandas, the only other adult member, agreed. The family accounts debited and credited Rs.12,000 annually for seven years, from AY 1946-47 through AY 1952-53. The tax authorities, Tribunal and Allahabad High Court rejected the section 10(2)(xv) deduction, the High Court reasoning that a karta was obliged to manage without remuneration.

Source: [Agreement, yearly credits and proceedings: SCR pp.417-418](#)

02 DISCUSSION BY THE HON'BLE COURT

The Court rejected an absolute bar on remunerating a karta. A karta may be paid under a valid agreement when the arrangement is made by or for all family members and is commercially expedient for the family business. Here the two adult members could act for the family and represent their minor sons; the agreement was not shown prejudicial, and members who later attained majority did not challenge it. Payment benefiting the karta did not by itself invalidate his representation of minors if the agreement benefited the family. The Court extended Jitmal Bhuramal's general business-expediency principle beyond junior members to the karta, while preserving its limitation that the remunerated services must be for the family. Babu Ram's role included managing the family business and looking after the family's interests in other businesses, not separately serving the partnership firms. No finding suggested the amount was excessive, disproportionate or a tax-avoidance device.

Source: [Commercial-expediency and karta principle: SCR pp.419-421](#); [Family services distinguished from partnership services: SCR p.422](#)

03 JUDICIAL DECISION

A bona fide, commercially expedient and valid agreement may support remuneration to the karta when the payment is genuine, reasonable and for the family business. On the findings, the Rs.12,000 annual remuneration was expenditure laid out wholly and exclusively for that business. The Court allowed all appeals, set aside the High Court judgment, answered the referred question affirmatively and awarded the assessee costs in the Supreme Court and High Court.

Source: [Governing test and operative allowance: SCR pp.421-422](#)

04 OUTCOME / IN WHOSE FAVOUR

In favour of the assessee HUF. The annual remuneration paid to its karta qualified for deduction on the established facts; the seven appeals were allowed, the reference answered affirmatively and costs awarded in both courts.

Source: [Final result: SCR p.422](#)

05 AKHB REVIEW POINT

AKHB analysis: an HUF claiming management remuneration should preserve the authorising agreement, identify who validly represented every member (especially minors), document the services and family-business nexus, and substantiate reasonableness and commercial need. The decision does not authorise an automatic karta salary deduction: excess, sham arrangements, personal services or services to another firm may change the result. Current 1961 Act provisions and later HUF law must be checked before reliance.

Source: [Validity, family benefit and business-purpose conditions: SCR pp.419-422](#)

SOURCE & VERIFICATION

Supreme Court Reports scan - public eSCR mirror

Full seven-page SCR report read. The editorial headnote on PDF page 1 was distinguished from the unnumbered judicial opinion beginning on PDF page 2 (SCR p.417).

Open cited source rendition

Exact source bytes, SHA-256 and seven-page count match catalogue asset 1967_1_416_422. All pages were read and visually inspected.

The title, 20 September 1966 date, two-judge bench, Civil Appeal Nos.594 to 600 of 1965 and [1967] 1 SCR 416 citation were verified from the report.

The report describes seven yearly credits beginning in AY 1946-47 and continuing through AY 1952-53.

The judicial text has no numbered paragraphs; SCR and physical PDF page pinpoints are used.

The source catalogue's retrospective identifier 1966INSC173 is not printed in the report and is not used as the verified citation.

No published AKHB record matches this judgment by title, citation, asset ID, source URL or SHA-256.

STATUTORY SCOPE

The decision applies section 10(2)(xv) of the repealed Indian Income-tax Act, 1922 and the Hindu-law setting stated in the report. It does not certify present treatment under the Income-tax Act, 1961 or later personal-law and tax developments.

LATER TREATMENT

Source checked 2026-10-10. Comprehensive later treatment, statutory succession and current HUF remuneration doctrine have 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.

PROFESSIONAL DISCLAIMER

AI-assisted legal research note for general information and professional research. It is not legal or tax advice. Verify the original judgment, applicable statutory version and subsequent judicial treatment before relying on it. The AKHB Review Point is editorial analysis, not part of the Court's judgment.