

Commissioner of Income-tax, West Bengal v. East Coast Commercial Co. Ltd.

Civil Appeals Nos. 672 and 673 of 1965

[1967] 1 SCR 821 | 1966-10-11

Controlling-block test for a company in which the public were substantially interested and evidentiary use of Investigation Commission admissions.

Indian Income-tax Act, 1922: sections 23A, 66(4) and 66A(2) | Taxation of Income (Investigation Commission) Act, 1947: admissions recorded in investigation proceedings

3-judge bench | J. C. Shah, J. | V. Ramaswami, J. | V. Bhargava, J.

Assessment years: 1950-51, 1951-52

No final merits determination

The Supreme Court corrected the legal test and required a supplementary statement. It did not itself finally determine whether the Kedia family formed the controlling block or whether section 23A liability ultimately followed.

01 FACTS OF THE CASE

Members of the Kedia family held 4,015 of East Coast Commercial's 4,391 shares, many originally through benamidars. In Investigation Commission proceedings, family representatives admitted joint secret profits, benami holdings and sought a single association-of-persons assessment. For AYs 1950-51 and 1951-52, the officer invoked section 23A because dividends were below the statutory proportion and treated the company as one in which the public were not substantially interested. The Tribunal reversed, requiring proof that the family actually acted in concert; the High Court similarly required an overt act and affirmed the Tribunal.

Source: [Assessments, shareholdings, admissions and lower decisions: SCR pp.822-827 / PDF pp.2-7](#)

02 DISCUSSION BY THE HON'BLE COURT

The correct inquiry first asked whether persons acting together held enough voting power to constitute a controlling block, and separately whether the statutory public-holding and transferability conditions were satisfied. Actual exercise of control or direct proof of an overt concerted act was not indispensable; relationship, conduct and common interest could support an inference, judged by ordinary human experience, that the shareholders must have acted together. The Tribunal and High Court applied the wrong test and did not make the necessary inquiry. The Investigation Commission's report was not stripped of all evidentiary value merely because provisions governing that body's inquiries had been held unconstitutional; recorded admissions could be considered if disclosed to the company with an opportunity to respond and rebut.

Source: [Controlling-block test and error below: SCR pp.827-829 / PDF pp.7-9](#); [Investigation report and supplementary statement: SCR p.830 / PDF p.10](#)

03 JUDICIAL DECISION

The Court did not answer the referred merits question on the existing statement. It set aside the High Court's order and directed the Tribunal under section 66(4) to submit a supplementary statement after applying the correct legal test. Costs of the Supreme Court hearing were made costs in the High Court proceeding.

Source: [Operative remittal: SCR p.830 / PDF p.10](#)

04 OUTCOME / IN WHOSE FAVOUR

In favour of Revenue only to the extent of procedural relief and correction of the legal test. The High Court order was set aside and the matter returned through a supplementary statement; no final finding was made that section 23A applied to the company.

Source: [Qualified Revenue outcome: SCR pp.829-830 / PDF pp.9-10](#)

05 AKHB REVIEW POINT

AKHB analysis: do not treat family relationship, aggregate shareholding or board position alone as conclusive, but do not demand impossible direct evidence of every concerted act. Build the inference from ownership, common funding, benami evidence, admissions, governance and conduct, then separately test statutory public shareholding and transferability. If relying on material from a defective or later-invalidated process, prove disclosure, opportunity to rebut and the precise admissible content. Record this disposition as a remittal, not a final Revenue victory on liability.

Source: [AKHB analysis source: SCR pp.827-830 / PDF pp.7-10](#)

SOURCE & VERIFICATION

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

Full ten-page SCR source file read. The editorial headnote on PDF pp.1-2 was distinguished from the unnumbered judicial text beginning on PDF p.2; there is no neighbouring judgment text in the file.

[Open cited source rendition](#)

Exact source bytes, SHA-256 and ten-page count match catalogue asset 1967_1_821_830; all ten pages were read.

The report verifies Civil Appeals Nos. 672 and 673 of 1965, the decision date 11 October 1966 and the three-member bench.

References to East Coast Commercial in later notes are citations to this precedent, not duplicate coverage; no judgment record matching its citation, case number, date or source hash exists in content/supreme-court-cases.json.

STATUTORY SCOPE

The case applies the pre-1955 version of section 23A of the Indian Income-tax Act, 1922 and discusses an Investigation Commission created under the 1947 Act. Current closely-held-company, dividend or evidentiary rules have not been checked.

LATER TREATMENT

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

AI DISCLOSURE

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