

Commissioner of Income-tax, Bombay v. M/s. Shree Goverdhan Ltd., Bombay

Civil Appeal No. 17 of 1967

[1968] 2 SCR 731 | 1968-01-09

Historical section 23A and multiple previous years: a company with its own business and a partnership-profit source could have separate accounting periods under section 2(11), and its partnership share accrued when the right arose even though the amount was quantified later.

Indian Income-tax Act, 1922: sections 2(11), 23A(1), 26A and 66(1)

3-judge bench; unanimous judgment delivered by V. Ramaswami, J. | J. C. Shah, J. | V. Ramaswami, J. | V. Bhargava, J.

Assessment years: 1951-52

Appeal concerned 1951-52

Proceedings below also included 1950-51, but the challenged High Court answer and Supreme Court disposition addressed the adverse part for assessment year 1951-52.

Separate sources drove separate periods

The result depended on section 2(11)'s express treatment of the firm's assessed accounting period for a partner's share and cannot be generalised to any later receipt.

Accrual required a vested right

Late quantification did not postpone accrual because the right to the partnership share existed when the firm's accounting period closed; a liability still dependent on an unfulfilled contingency was distinguished.

Repealed deemed-distribution rule

Section 23A's historical 60% distribution mechanism and company-control provisos are not a statement of present dividend law.

01 FACTS OF THE CASE

Shree Goverdhan Ltd. carried on its own business with accounts closing on 30 September and, from 20 April 1950, was also a partner in Indian Steel Syndicate, whose reconstituted partnership accounts closed on 30 November 1950 and 31 March 1951. The Income-tax Officer included Rs.70,895 partnership profit in assessment year 1951-52 and made a section 23A order concerning undistributed assessable income. The company argued that this partnership income arose after its own 30 September 1950 year-end and was unknown at its 17 May 1951 annual meeting. The High Court accepted that position for 1951-52, and Revenue appealed (SCR pp.732-733; PDF pp.2-3).

Source: [Primary judgment: facts](#)

02 DISCUSSION BY THE HON'BLE COURT

Section 2(11) permitted different previous years for different sources and specifically tied a partner's profit share to the firm's assessed period. The company's own business and partnership interest were separate sources whose corresponding periods both fell within the financial year preceding 1951-52, so section 23A's reference to the company's previous year had to accommodate both (SCR pp.735-737; PDF pp.5-7). The firm's accounts had closed before the company's annual meeting. Partnership profit accrued when the company acquired the right to receive it on 31 March 1951; later ascertainment of the amount did not defer that accrued right. The Court distinguished a liability still contingent from a present debt whose amount remained to be quantified and applied the principle *debitum in praesenti, solvendum in futuro* (SCR pp.737-739; PDF pp.7-9).

Source: [Primary judgment: discussion](#)

03 JUDICIAL DECISION

The Court held that Rs.70,895 partnership income for the period ending 31 March 1951 belonged in the company's assessable and distributable profits for assessment year 1951-52. It set aside the contrary part of the Bombay High Court judgment, answered the reference for Revenue and allowed the appeal with costs (SCR p.739; PDF p.9).

Source: [Primary judgment: decision](#)

04 OUTCOME / IN WHOSE FAVOUR

In favour of the Commissioner of Income-tax. The section 23A order for 1951-52 was upheld because the partnership-profit share accrued within the relevant separate previous year notwithstanding later quantification (SCR pp.737-739; PDF pp.7-9).

Source: [Primary judgment: outcome](#)

05 AKHB REVIEW POINT

AKHB analysis: map every income source to the governing accounting period before determining the assessment-year base. For an accrual issue, distinguish whether only valuation remains from whether entitlement itself depends on a future contingency, and preserve the date on which the legal right arose. Re-run both timing and distribution consequences under the currently governing provisions; this repealed section 23A case supplies no present-law clearance (based on SCR pp.735-739; PDF pp.5-9).

Source: [Primary judgment: reviewPoint](#)

SOURCE & VERIFICATION

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

Full 9-page SCR report read and checked. The editorial headnote and adjacent-report boundary text were distinguished from the judicial opinion and operative order.

[Open cited source rendition](#)

Exact source bytes, SHA-256 and 9-page count match catalogue asset 1968_2_731_739; every page was reviewed.

The source verifies Civil Appeal No. 17 of 1967, the stated bench, issues, reasoning and operative result.

No published or archived standalone AKHB note with this source hash, case identity and operative decision was found.

STATUTORY SCOPE

The ruling construes the repealed definition of previous year and deemed-distribution mechanism in sections 2(11) and 23A of the Indian Income-tax Act, 1922 for assessment year 1951-52. It does not determine current partnership-income timing, dividend taxation or anti-avoidance provisions. No current-law or later-treatment clearance was undertaken.

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.

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