

Daffadar Bhagat Singh & Sons v. The Income-tax Officer, A-Ward, Ferozepore

Civil Appeal No. 952 of 1966

[1969] 1 SCR 828 | 1968-08-22

Historical section 34(3) limitation exception: a first-appellate finding that an assessee was a partnership firm rather than an HUF was necessary to the status appeal, and the firm was intimately connected with that assessment, permitting the consequential firm assessment beyond the ordinary time bar.

Indian Income-tax Act, 1922: sections 22(4), 23(2), 26A and the second proviso to section 34(3) |
Constitution of India: Articles 226 and 227

2-judge bench; unanimous judgment delivered by A. N. Grover, J. | V. Ramaswami, J. | A. N. Grover, J.

Assessment years: 1952-53

Necessary finding, not incidental observation

The exception operated because firm-versus-HUF status was the substantial controversy and the finding was necessary to dispose of that appeal; an observation about a different year or collateral matter would not automatically qualify.

Intimately connected person

The firm, Bhagat Singh and his two sons had submitted the return and registration claim underlying the challenged assessment. The Court did not treat the expression 'any person' as covering unrelated third parties.

Prashar constitutional limit preserved

The judgment notes that the proviso was invalid, under Article 14, insofar as it authorised out-of-time assessment of a person other than the assessee who lacked the required connection. This case was resolved by finding the appellant was not such a stranger.

No substantive income determination

The appeal concerned whether assessment proceedings could continue, not the amount or ultimate tax treatment of the firm's business income.

01 FACTS OF THE CASE

For assessment year 1952-53, Daffadar Bhagat Singh & Sons filed a return on 31 March 1953 and sought registration under section 26A as a partnership of Bhagat Singh and sons Kartar Singh and Dhian Singh, sharing 4/16, 6/16 and 6/16. The officer instead assessed an HUF and refused registration on 26 March 1957. On 11 August 1959 the Appellate Assistant Commissioner allowed registration, held the business belonged to the firm rather than the family, excluded its income from the HUF and directed assessment in the firm's hands. The officer issued fresh sections 22(4) and 23(2) notices. The firm refused compliance, asserted the section 34(3) time bar and sought prohibition and certiorari under Articles 226 and 227; the Punjab High Court dismissed the writ petition (SCR pp.829-830; PDF pp.2-3).

Source: [Primary judgment: facts](#)

02 DISCUSSION BY THE HON'BLE COURT

The second proviso to section 34(3) lifted the ordinary time limit for an assessment or reassessment made in consequence of, or to give effect to, a qualifying appellate finding or direction. Prior authority confined a 'finding' to one necessary for relief in the assessment year under appeal and confined 'any person' to someone intimately connected with that assessment (SCR pp.830-831; PDF pp.3-4). Here status was the appeal's substantial issue: the firm had filed the return claiming firm status and registration, the officer chose HUF status, and the appellate authority necessarily reversed that decision. The finding was not incidental. The same return, partners and business income also made the firm intimately connected rather than a stranger to the HUF assessment (SCR pp.831-833; PDF pp.4-6).

Source: [Primary judgment: discussion](#)

03 JUDICIAL DECISION

The Court held that the necessary appellate status finding attracted the second proviso to section 34(3), lifted the limitation bar and permitted the consequential firm assessment. It rejected both limbs of the appellant's argument and dismissed the appeal with costs (SCR pp.832-833; PDF pp.5-6).

Source: [Primary judgment: decision](#)

04 OUTCOME / IN WHOSE FAVOUR

In favour of the Income-tax Officer/Revenue. The challenge to continuation of the 1952-53 firm-assessment proceedings failed; the Court did not determine the eventual quantum of tax (SCR p.833; PDF p.6).

Source: [Primary judgment: outcome](#)

05 AKHB REVIEW POINT

AKHB analysis: before relying on an appellate finding to overcome an assessment limitation period, test two links separately: whether the finding was legally necessary to decide the identified year and whether the proposed assessee was truly connected to that assessment rather than an unrelated third party. Preserve the originating return, status claim, appellate issue and operative direction as evidence. Reassess every step under the currently governing provision because this 1922 Act case supplies no current reopening authority (based on SCR pp.830-833; PDF pp.3-6).

Source: [Primary judgment: reviewPoint](#)

SOURCE & VERIFICATION

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

Full 6-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 6-page count match catalogue asset 1969_1_828_833; every page was reviewed.

The source verifies Civil Appeal No. 952 of 1966, 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 judgment applies the second proviso to section 34(3) of the repealed Indian Income-tax Act, 1922 to assessment year 1952-53 and relies on the historical reference-and-reassessment structure. It does not determine limitation or reopening powers under later legislation. 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.

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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General legal and tax research only; not legal or tax advice. Verify the original judgment, the governing historical statute and subsequent judicial treatment before reliance. The AKHB REVIEW POINT is editorial analysis, not the Court's holding, and no current-law clearance is claimed.