

Commissioner of Income-tax, Bangalore v. Shri D. C. Shah

Civil Appeals Nos. 817 and 818 of 1966

[1969] 3 SCR 586 | 1969-02-06

Hindu undivided family versus karta's individual income: managing-partner remuneration was not HUF income where it rested on the karta's personal experience and services and had no real or sufficient connection with the family's capital investment.

Indian Income-tax Act, 1922 (historical assessment of HUF and individual income) | Indian Partnership Act, 1932 (partnership-deed context)

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

Assessment years: 1959-60, 1960-61

Fact-sensitive source-and-nexus inquiry

The result turned on the source of the remuneration, its relation to family assets and the proximity of the connection between the HUF investment and the payment; it is not a categorical rule for every karta-partner payment.

Capital investment alone was insufficient

Although the HUF participated through its karta, the Court found the remuneration paid for D. C. Shah's personal qualifications and managing work, not because family funds were invested.

Distinguish contrary factual authorities

The judgment contrasts cases where remuneration was an increased share of profits or primarily earned through family assets. Those outcomes depended on a real and sufficient connection absent here.

Deed chronology requires care

The report gives partnership-deed dates of 11 September 1957 and 5 June 1961 while dealing with assessment years 1959-60 and 1960-61. The note reports that text without reconstructing an unexpressed execution or amendment chronology.

01 FACTS OF THE CASE

The respondent HUF participated through its karta, D. C. Shah, in C. U. Shah & Co. and Oriental Can Manufacturing Co. D. C. Shah received Rs.12,000 per year from the first firm in both assessment years and Rs.10,000 from the second firm for 1959-60. The HUF's returns included the amounts, and the Income-tax Officer assessed them as part of its partnership income. The partnership deeds made D. C. Shah managing partner of C. U. Shah & Co., with broad management powers and Rs.1,000 monthly remuneration, and provided that he would succeed the retiring managing partner of Oriental Can Manufacturing Co. The Appellate Assistant Commissioner treated the remuneration as D. C. Shah's personal income; the Tribunal reversed, but the Mysore High Court held that it was not HUF income (SCR pp.587-589; PDF pp.2-4).

Source: [Primary judgment: facts](#)

02 DISCUSSION BY THE HON'BLE COURT

The Court surveyed its decisions distinguishing remuneration directly related to HUF investment from remuneration attributable to personal services. Where a karta became partner because of family capital and the payment was effectively an enlarged profit share, the income belonged to the family. Conversely, where shares or capital were ordinary family investments and there was no real connection between them and the managerial appointment, remuneration for the karta's work was individual income. The governing inquiry looked to the receipt's source, its relation to family assets and the proximity of the connection between the investment and payment (SCR pp.589-591; PDF pp.4-6). D. C. Shah had rich experience in the firms' line of business. The deeds showed payment for specific managing acts and personal qualifications; another person initially managed the second firm, no other partner drew salary, and there was no real or sufficient connection between family capital and remuneration. The payment was not earned through detriment to HUF assets (SCR p.591; PDF p.6).

Source: [Primary judgment: discussion](#)

03 JUDICIAL DECISION

The Court held that D. C. Shah's managing-partner remuneration from both firms was not assessable as income of the HUF. Revenue's two appeals were dismissed with costs; one hearing fee was awarded (SCR p.591; PDF p.6).

Source: [Primary judgment: decision](#)

04 OUTCOME / IN WHOSE FAVOUR

In favour of Shri D. C. Shah/the respondent HUF. The disputed remuneration was treated as D. C. Shah's individual income rather than HUF income (SCR p.591; PDF p.6).

Source: [Primary judgment: outcome](#)

05 AKHB REVIEW POINT

AKHB analysis: for a karta's remuneration, build an evidence matrix separating family capital, the route into the firm, contractual management duties, personal qualifications, services actually compensated, treatment of other partners and the payment's relationship to profit share. The decisive inquiry is the real and sufficient nexus with family assets, not merely the coexistence of HUF investment and remuneration. Re-test that analysis under the governing current statute before reliance (based on SCR pp.589-591; PDF pp.4-6).

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_3_586_591; every page was reviewed.

The source verifies Civil Appeals Nos. 817 and 818 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 Court applied historical HUF-income doctrine in assessments under the Indian Income-tax Act, 1922 for 1959-60 and 1960-61. The report does not identify or construe a specific later statutory provision governing partner remuneration. No current-law, later-treatment or statutory-equivalence 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.

PROFESSIONAL DISCLAIMER

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.