

Benaras State Bank Ltd. v. Commissioner of Income-tax, Lucknow

Civil Appeal No. 1033 of 1966

[1970] 1 SCR 669 | 1969-07-25

Dividend receipt after merger of Benaras into taxable territories.

Indian Income-tax Act, 1922: sections 2(14A), 4(1)(a), 14(2)(c) and 16(2) | Adaptation of Laws Order, 1950

3-judge bench | J. C. Shah, Acting C.J. | V. Ramaswami, J. | A. N. Grover, J.

Assessment years: 1950-51

Receipt finding; earlier delivery unproved

Following a supplementary statement, delivery of dividend warrants on 3 August 1949 was not proved. The decision proceeded on proved declaration and encashment dates, not an assumed earlier receipt.

01 FACTS OF THE CASE

The bank held shares in Glass Works, which declared a dividend on 25 July 1949. Benaras merged into the Indian Union on 1 December 1949; Rs. 69,000 dividend cheques were encashed on 31 December 1949. A supplementary statement did not establish alleged warrant delivery on 3 August 1949. The bank claimed exemption on the basis of pre-merger accrual and non-residence.

Source: [SCR p. 670](#) / [PDF p. 2](#)

02 DISCUSSION BY THE HON'BLE COURT

Assuming accrual in an Indian State, receipt occurred in taxable territories after merger, defeating the historical section 14(2)(c) exemption. Under section 16(2), declaration alone did not establish payment: following J. Dalmia, payment required discharge of liability and unconditional availability, although not necessarily actual physical receipt. There was no evidence of earlier payment, credit or distribution.

Source: [SCR pp. 671-672](#) / [PDF pp. 3-4](#)

03 JUDICIAL DECISION

The dividend was held properly taxable for AY 1950-51 under section 4(1)(a). The bank's appeal was dismissed with costs, including costs of the hearing that called for the supplementary statement. The alternative section 4(1)(b)(ii) basis was unnecessary to decide.

Source: [SCR p. 672 / PDF p. 4](#)

04 OUTCOME / IN WHOSE FAVOUR

In favour of Revenue on taxability founded on proved receipt in taxable territories. The decision does not establish that every dividend is taxed solely on its declaration date.

Source: [SCR pp. 671-672 / PDF pp. 3-4](#)

05 AKHB REVIEW POINT

AKHB analysis: preserve proof of warrant delivery, credit, unconditional availability and encashment rather than treating declaration as payment. Match territorial status and the statutory charging rule to the relevant date. The merger-era exemption and receipt rules are historical and should not be used as a substitute for current dividend provisions.

Source: [AKHB analysis based on SCR pp. 670-672 / PDF pp. 2-4](#)

SOURCE & VERIFICATION

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

Full four-page SCR report read, separating editorial headnote from judicial reasoning; no neighbouring case text used.

[Open cited source rendition](#)

Full source read; page pinpoints used because judgment paragraphs are unnumbered. Exact original bytes match the catalogue SHA-256.

SCR p. 672 contains an apparent 1959 date in an expressly unnecessary alternative argument; the material declaration date established throughout the judgment is 25 July 1949. No alternative holding is inferred from that passage.

STATUTORY SCOPE

This decision applies the Indian Income-tax Act, 1922 to the stated historical assessment years. Current statutory applicability and any Income-tax Act, 1961 or 2025 crosswalk are not determined.

LATER TREATMENT

Source checked 2026-10-10. Comprehensive subsequent treatment has not been verified; no current citator clearance is represented.

AI DISCLOSURE

AI-assisted research checked against the identified source. Extraction, interpretation or omission errors remain possible. Source review does not mean independent approval by a practising professional. Verify every material statement against the complete original judgment.

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