

Commissioner of Income-tax, Patiala v. The Ambala Flour Mills and connected cross-appeals

Civil Appeals Nos. 1277-1279 and 1280-1282 of 1966

[1971] 1 SCR 388 | 1970-04-27

Assessment status and appellate directions: a person closely connected with the assessment was not a stranger; reference jurisdiction remained confined to questions arising.

Indian Income-tax Act, 1922: sections 31, 34(3) and 66

3-judge bench | J. C. Shah, J. | K. S. Hegde, J. | A. N. Grover, J.

Assessment years: 1950-51, 1951-52, 1952-53

Material source qualification

Source qualification: the SCR report criticises the High Court's amendment yet expressly dismisses both sets of appeals. The printed dismissal is preserved; no substituted operative relief is inferred.

01 FACTS OF THE CASE

After litigation dissolved the Ambala Flour Mills partnership from 29 April 1948, the business ultimately continued through Debi Parshad. He filed returns in differing capacities for three assessment years. The Income-tax Officer assessed an association of persons. The Appellate Assistant Commissioner annulled those assessments and directed assessment of the income as that of Debi Parshad's family. The Tribunal deleted the direction by treating him as a stranger. The High Court held that he was not a stranger and could appeal, but added that assessment could be only in his individual capacity. Both sides appealed.

Source: [SCR pp. 390-391](#) / [PDF pp. 3-4](#)

02 DISCUSSION BY THE HON'BLE COURT

Because Debi Parshad filed the returns, appealed the assessments and was a member of the association found by the officer, he was not a stranger. The adverse direction also entitled him to appeal. Reading sections 31 and 34(3) with Murlidhar Bhagwan Das and Kanpur Coal Syndicate, the Court recognised the relevance of persons intimately connected with the assessment. Separately, the High Court's advisory jurisdiction did not permit amendment of the appellate order on a point that had not been contested before the Tribunal or properly referred.

Source: [SCR pp. 391-395](#) / [PDF pp. 4-8](#)

03 JUDICIAL DECISION

The report expressly states that Debi Parshad's Civil Appeals Nos. 1280-1282 failed. Its final paragraph also states that the Commissioner's Civil Appeals Nos. 1277-1279 failed, and concludes that the appeals were dismissed, with no order as to costs. This note preserves that printed disposition; it does not substitute an allowance of the Revenue appeals based on the preceding criticism of the High Court's amendment.

Source: [SCR pp. 394-395 / PDF pp. 7-8](#)

04 OUTCOME / IN WHOSE FAVOUR

Both sides failed in their Supreme Court appeals as expressly recorded. Revenue succeeded on the proposition that Debi Parshad was not a stranger, while his standing to appeal was recognised. The procedural holdings should not be presented as a fresh computation of taxable income or an unqualified merits victory for either side.

Source: [SCR pp. 391-395 / PDF pp. 4-8](#)

05 AKHB REVIEW POINT

AKHB analysis: keep the assessed entity, affected person, appellate direction and referred question distinct. A person directly exposed to assessment by a direction may have standing even though the original assessment named an association. Preserve objections at the Tribunal stage. Before relying on this report to establish the precise surviving status direction, obtain and examine the underlying orders because the reasons criticising amendment and the printed dismissal sit in tension.

Source: [AKHB analysis based on SCR pp. 391-395 / PDF pp. 4-8](#)

SOURCE & VERIFICATION

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

Full 8-page SCR report read, separating editorial headnote from judicial text.

[Open cited source rendition](#)

Full source read; original bytes match catalogue SHA-256. Judicial text is unnumbered, so SCR and PDF page pinpoints are used.

The original final page was visually inspected: it expressly dismisses the Commissioner's appeals as well as the cross-appeals. The apparent tension between the reasoning on the High Court's amendment and the operative dismissal is retained, not silently corrected.

The headnote gives the earlier partnership High Court judgment date as 25 September 1951; judicial text gives 26 September 1951. No exact date for that earlier judgment is asserted here.

STATUTORY SCOPE

The decision concerns appellate and reference powers under the repealed 1922 Act. Its operative dismissal must be read alongside the limited questions referred, without turning it into a general ruling on the final tax liability or correct taxable status.

LATER TREATMENT

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

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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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