

RM. Ramanathan Chettiar Etc. v. Commissioner of Income Tax, Madras

Civil Appeal No. 710 of 1967

[1971] 1 SCR 465 | 1970-04-30

Non-resident partner's foreign-income share in a resident registered firm under the 1922 Act.

Indian Income-tax Act, 1922: sections 4(1)(c), 23(5)(a) second proviso, 17(1) proviso and 66(1)

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

Assessment years: 1956-57

Historical registered-firm assessment; not the 1972 relief case

The decision concerns AY 1956-57 under the 1922 Act. It does not determine the modern partnership exemption, a treaty claim or the separate 1972 unilateral double-tax-relief case. The maximum-rate question was included in the reference but receives no separate substantive analysis here.

01 FACTS OF THE CASE

The non-resident appellant was a partner of a resident registered firm carrying on money-lending in India and Malaya. For AY 1956-57 the firm's entire income accrued abroad; his share was Rs. 62,612. The officer adjusted his separate Madras business loss of Rs. 8,484 and applied the maximum rate because he had not filed the declaration under the section 17(1) proviso. Both inclusion of the foreign-income share and the maximum rate were referred to the High Court, which answered against him.

Source: [SCR p. 466 / PDF p. 2](#)

02 DISCUSSION BY THE HON'BLE COURT

The Court explained the historical registered-firm scheme under section 23(5)(a), including the change introduced by the Finance Act, 1956. A non-resident partner could not exclude the proportionate foreign profits of the resident firm by invoking section 4(1)(c) against that specific assessment scheme. It approved the reasoning of the Privy Council in Seth Badri Das Daga and the Madras High Court's application in Gnanam & Sons. The appellant accepted that the appeal failed if Badri Das correctly stated the law. The judgment does not separately develop a ratio concerning the maximum-rate declaration.

Source: [SCR pp. 466-467 / PDF pp. 2-3](#)

03 JUDICIAL DECISION

The assessee's appeal was dismissed with costs. The High Court's adverse reference answers remained undisturbed; the reasoned Supreme Court analysis addresses inclusion of the foreign firm-income share under the historical registered-firm scheme.

Source: [SCR p. 467 / PDF p. 3](#)

04 OUTCOME / IN WHOSE FAVOUR

In favour of Revenue in this appeal. The outcome does not establish a free-standing modern rule taxing all overseas income of every non-resident partner, nor does it adjudicate treaty relief.

Source: [SCR p. 467 / PDF p. 3](#)

05 AKHB REVIEW POINT

AKHB analysis: separate the residence and tax treatment of the firm from those of an individual partner, and identify the applicable statutory regime before invoking a general territorial-income rule. Preserve the distinction between income inclusion and relief against double taxation. This pre-modern partnership decision should not be transplanted to current partner-share or treaty questions without independent statutory verification.

Source: [SCR pp. 466-467 / PDF pp. 2-3](#)

SOURCE & VERIFICATION

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

Three-page SCR scan. Judicial body begins at the bottom of PDF p. 1 / SCR p. 465 and runs through dismissal on PDF p. 3 / SCR p. 467.

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Distinct from the published 11 October 1972 K.V.A.L.M. Ramanathan Chettiar unilateral double-tax-relief decision. This appeal is dated 30 April 1970 and concerns inclusion of a non-resident partner's share.

The source prints inconsistent Gnanam & Sons report page references (485/846); no corrected reporter reference is supplied.

STATUTORY SCOPE

Historical statutory text and relevant assessment year control. No automatic mapping to the Income-tax Act, 2025 or current-law certification.

LATER TREATMENT

Source checked 2026-10-10. Comprehensive subsequent judicial treatment and present-law applicability remain unverified. No current-law or citator clearance is represented.

IDENTIFIED SOURCE LINKS

[Supreme Court-hosted JUDIS rendition: RM. Ramanathan Chettiar, 30 April 1970](#)

AI DISCLOSURE

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