

Commissioner of Income Tax, West Bengal v. Kamal Behari Lal Singha Etc.

Civil Appeal Nos. 1667-1673 of 1968

[1972] 1 SCR 225 | 1971-08-16

Historical distributions from salami and land-acquisition receipts: capital character in shareholders' hands.

Indian Income-tax Act, 1922: section 2(6A); alleged income from other sources

2-judge bench | K. S. Hegde, J. | A. N. Grover, J.

Assessment years: 1950-51 (illustrative assessee; other appeals factually similar)

Specified historical distributions; no general dividend exemption

The disputed component represented salami and land-acquisition receipts after 31 March 1948. The Court examined character in the recipient's hands under the historical law. It did not hold that all distributions from a company's capital receipts are exempt under current dividend law.

01 FACTS OF THE CASE

The illustrative shareholder received a Rs. 13,200 distribution from Ukhara Estate Zamindaries Ltd. in the accounting year for AY 1950-51. Of that, Rs. 8,829 came from salami and land-acquisition compensation received after 31 March 1948 and transferred to reserves. The remaining distribution came from the profit-and-loss balance. Revenue treated the disputed component as taxable, with the first appellate authority and Tribunal relying on income other than dividend. The High Court answered both questions for the shareholders.

Source: [SCR pp. 226-227](#) / [PDF pp. 2-3](#)

02 DISCUSSION BY THE HON'BLE COURT

Character must be determined in the recipient's hands; the payer's capital source is not itself decisive. Nalin Behari Lal Singha had settled the dividend question for comparable distributions but had left the alternative-income argument open because it had not been raised there. Here the Court addressed that remaining issue. On these facts it viewed the shareholders as receiving their share of the capital asset in which they were beneficially interested; calling the payment dividend did not alter that character.

Source: [SCR pp. 227-229](#) / [PDF pp. 3-5](#)

03 JUDICIAL DECISION

Revenue's appeals were dismissed with costs, hearing fee one set. The favourable High Court answers on the specified distributions were sustained; the disputed component was treated as capital in the recipients' hands rather than taxable dividend or other-source income on these historical facts.

Source: [SCR p. 229 / PDF p. 5](#)

04 OUTCOME / IN WHOSE FAVOUR

In favour of the shareholders on the specified disputed component, not an exemption for the remainder of the declared dividend or for all future company distributions.

Source: [SCR pp. 227 and 229 / PDF pp. 3 and 5](#)

05 AKHB REVIEW POINT

AKHB analysis: trace the precise amount, the recipient's legal entitlement and the statutory definition applicable to the relevant year. Labels and the payer's accounting reserve do not alone determine tax character. Distinguish this fact-specific historical result from contemporary dividend, capital-reduction or distribution rules; independent later-law verification is essential.

Source: [SCR pp. 227-229 / PDF pp. 3-5](#)

SOURCE & VERIFICATION

Supreme Court Reports scan - public eSCR mirror

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The first referred question is garbled as section 2(A) in the scan; the judicial discussion on SCR p. 227 identifies section 2(6A). No alternate provision is inferred.

Illustrative dividend Rs. 13,200 includes disputed Rs. 8,829; the entire dividend is not treated as the disputed capital distribution.

STATUTORY SCOPE

Historical statute and assessment facts control. No automatic Income-tax Act, 2025 crosswalk or present-law certification.

LATER TREATMENT

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

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