

Commissioner of Income-tax, West Bengal v. Central India Industries Ltd.

Civil Appeals Nos. 2347 of 1968 and 1175 of 1971

[1972] 1 SCR 619 | 1971-09-07

Dividend in kind: market value of shares received and independent assessment.

Indian Income-tax Act, 1922: sections 2(6A), 12(1A), 16(2), 18(5), 20, 35(9), 66(1) and 66A(2) | Companies Act, 1956: section 205, discussed

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

Assessment years: 1959-60

Two appeals; conflicting printed amounts

The Revenue's special-leave appeal succeeded on merits; its certificate appeal failed procedurally. SCR p.621 prints Rs.61,656 in the reference question but Rs.61,500 in the narrative. The discrepancy is disclosed, not resolved by assumption.

01 FACTS OF THE CASE

The assessee held shares in Pilani Investment Corporation Ltd. and received a dividend under its 18 November 1958 resolution partly in cash and partly in shares of Gwalior Rayon and Hind Cycles. The officer valued the distributed shares at market value; the Tribunal and High Court preferred the assessee's position relying on the parent's face-value treatment and the related refund mechanism. Revenue's certificate appeal was defective; a separate special-leave appeal was admitted after delay was condoned.

Source: [SCR pp. 621-622](#) / [PDF pp. 3-4](#)

02 DISCUSSION BY THE HON'BLE COURT

Dividend could consist of property or rights with monetary value. Shares received as dividend had to be valued at their real market value when the recipient became entitled to them, irrespective of whether it later retained or sold them. An erroneous valuation in the distributing company's assessment created no right to repeat that error in the recipient's assessment. Assessment of income did not depend on the refund potentially available under the separate refund provisions.

Source: [SCR pp. 623-625](#) / [PDF pp. 5-7](#)

03 JUDICIAL DECISION

The High Court's affirmative answer was discharged and the reference answered negatively in favour of Revenue. Civil Appeal 1175 of 1971 was allowed with costs. Civil Appeal 2347 of 1968 was dismissed as not maintainable, without costs, because its certificate lacked reasons.

Source: [SCR pp. 625-626 / PDF pp. 7-8](#)

04 OUTCOME / IN WHOSE FAVOUR

Revenue succeeded on dividend valuation through the special-leave appeal. Dismissal of the parallel certificate appeal was procedural and did not affirm the assessee's substantive position.

Source: [SCR pp. 621-626 / PDF pp. 3-8](#)

05 AKHB REVIEW POINT

AKHB analysis: retain the dividend resolution, entitlement date, delivery records and contemporaneous market-value evidence. Distinguish dividend income on receipt from any later gain or loss on sale. Do not assume the distributor's accounting value or assessment binds the recipient's liability; separately test the statutory credit or refund mechanism under the relevant law.

Source: [AKHB analysis based on SCR pp. 623-626 / PDF pp. 5-8](#)

SOURCE & VERIFICATION

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

Full 8-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.

The addition is printed as Rs.61,656 in the referred question and Rs.61,500 in the factual narrative, both on SCR p.621; visual inspection confirms both readings. No single reconciled addition amount is asserted.

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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