

Commissioner of Income Tax, Gujarat v. Distributors (Baroda) (P) Ltd.

Civil Appeal Nos. 2350 to 2353 of 1968 — Certificate appeals dismissed as not maintainable and connected proceedings (full list below)

[1972] 1 SCR 726 | 1971-09-16

The company did not fall within section 23A's investment-business classification: shares held to protect its managing agencies belonged with that activity when identifying its primary business.

1922 Act: 23A(1) | 1922 Act: 23A, Explanation 2(i) | 1922 Act: 66(1)

2 Judges | K. S. Hegde | A. N. Grover

01 FACTS OF THE CASE

The private company acted as managing agent of New India Industries and Cotton Fabrics, while also dealing in other companies' shares. The officer combined investment-related receipts and assets, treated it as an investment company and imposed the higher section 23A super-tax charge on undistributed income. The required distribution percentage was stated as 100 percent for the first two years and 90 percent for the others. The Tribunal upheld the classification. The Gujarat High Court answered the reframed investment-business question for the company. A separate question about deducting disallowed expenditure when computing undistributed income was not pressed and was not decided.

Source: [SCR 727-729: activities, assessment years, assessment approach and abandoned question.](#)

02 DISCUSSION BY THE HON'BLE COURT

Hegde J read "mainly" alongside "wholly": the investment activity had to be the primary business, not merely one among equally or nearly equally important activities. The Court also gave meaning to the statutory concept of a business of holding investments, requiring real, substantial and systematic or organised investment activity for a set purpose. It distinguished the different inquiry about business income in Bengal and Assam Investors. The memorandum's several objects did not settle what business predominated. The Tribunal had found that the managed-company shares were acquired to safeguard the managing agencies. The Court therefore grouped those holdings with agency activity when considering receipts. It also explained that tangible share assets did not exhaust the comparison: the value of the managing agencies mattered. The report's income table and its ensuing statement that combined agency receipts exceeded dealing receipts in every year are inconsistent; the reasoning is reported as the Court's, without repairing the figures.

Source: [SCR 730-734: primary-business test, organised holding activity and receipts/assets analysis.](#)

03 JUDICIAL DECISION

The High Court's answer against the investment-company classification was affirmed. The special-leave appeals failed on merits; the earlier certificate appeals were not maintainable. This classification holding does not mean section 23A could never apply to other companies: the quoted statute expressly provided a different rate for them. Section 109 of the 1961 Act was mentioned but not adjudicated.

Source: [SCR 734-735B: conclusion and different appeal routes.](#)

04 OUTCOME / IN WHOSE FAVOUR

Special-leave appeals dismissed with costs, one set of fees; certificate appeals dismissed without costs. The challenged investment-business classification failed. Classification decided; abandoned expenditure question untouched.

Source: [SCR 735B: dismissal and costs for each group.](#)

05 AKHB REVIEW POINT

Trace each holding to its business purpose before comparing receipts and assets. A power in a memorandum, a large share portfolio or a familiar corporate name does not settle the statutory classification. The distinct 1985 Distributors dividend-deduction case must not supply this judgment's identity or holding.

Source: [SCR 729-734: classification limb, business purpose and factual comparison.](#)

APPEAL AND PROCEEDING NUMBERS

Civil Appeal Nos. 2350 to 2353 of 1968 — Certificate appeals dismissed as not maintainable / Civil Appeal Nos. 1313 to 1316 of 1971 — Parallel special-leave appeals dismissed on merits / Income-tax Reference No. 22 of 1965 — Originating High Court proceedings; not additional Supreme Court appeals

SOURCE & VERIFICATION

Original reported Supreme Court judgment

10-page retained public-mirror SCR report. The complete report was read as text and page images. The acquisition URL is preserved provenance; current endpoint availability and authentication as a signed original are not newly verified. All ten text/image pages SCR726-735; headnotephysical1, docketphysical1-2, Hegde opinionphysical2-10; no adjacent case. Appeals2350-2353/1968 defective certificates vs1313-1316/1971 merits. Physical8 income table does not support physical9 claim of greater combined agency income in each year; both retained with attribution. Bengal Assam headnote54ITR547 vs body59ITR547. Section109 mentioned only as comparator.

Open cited source rendition

SCR 733 table gives combined agency/dividend receipts ₹5,63,451 against dealing receipts ₹5,76,973 for 1960-61, and ₹5,08,635 against ₹5,76,421 for 1961-62; SCR 734 nevertheless says the former exceeded the latter in every year. No correction is inferred.

The headnote cites Bengal Assam as 54 ITR 547; the opinion at SCR 731 prints 59 ITR 547.

Distinct 1985 judgment involves Article 32, sections 80M/80 AA and different periods; identity evidence only.

STATUTORY SCOPE

Indian Income-tax Act, 1922; 23A(1), 23A, Explanation 2(i), 66(1)

The primary judgment mentions 1961 section 109 only as a comparison; it does not adjudicate it. No contemporary continuation of the historical section 23A rates or distribution test is certified.

No direct 2025 successor to this historical investment-business classification is asserted. The issue requires research under the actual provision invoked.

The operative historical law governs this holding. The 2025 Act generally commences on 1 April 2026; the selected section 536 savings preserve earlier operations, rights and specified proceedings for earlier tax years. Only stated passages and versions were read. No complete savings, amendment-history or present-case applicability assessment is claimed.

LATER TREATMENT

Source checked 2026-10-08. No specific later judicial treatment is adopted; this is not a finding that later treatment is absent.

Comprehensive subsequent history and present-law applicability remain unverified.

Primary authorities cited within this judgment are not later-use evidence.

IDENTIFIED SOURCE LINKS

[Income-tax Act, 2025: commencement and selected savings](#)

As amended by Finance Act, 2026 1(1)-(3), web0-13; 536(1), (2) intro/(a)-(e), 24385-24408 and (3)-(4), 24597-24601; not whole 536. Exact stated retained text read personally. No raw statutory PDF/HTML or page-image reading, whole-Act review or automatic present-case applicability is asserted.

[Distributors \(Baroda\) Pvt. Ltd. v. Union of India and two others, 1 July 1985](#)

Identity and issue only: physical page 1 caption; page 8, Article 32 Writ Petition 2043/1981; page 9, main opinion opening; page 10, assessment years 1970-71 through 1980-81. No adoption of unread merits or substantive later treatment of the 1971 case. Existing primary ownership retained. Exact retained source bytes checked before/after; only listed texts/images personally read. No fresh endpoint authentication or comprehensive later history. Text pages read: 1, 8-10. Image pages read: 1, 8-10.

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