

Commissioner of Income Tax, Bombay v. West Coast Paper Mills Ltd.

Civil Appeal No. 1344 of 1971 — Revenue special-leave appeal decided on merits and connected proceedings (full list below)

[1972] 1 SCR 780 | 1971-09-17

The Finance Act 1959 transitional exemption covered timely declared cumulative preference dividends attributable to earlier years, although paid from later profits.

Finance Act, 1959, section 19(4), as amended by Finance Act, 1960 | 1922 Act: 18(3D) | 1922 Act: 18(3E) | 1922 Act: 18(7)

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

01 FACTS OF THE CASE

West Coast Paper Mills had issued 60,000 six-percent, tax-free cumulative preference shares of ₹100 each. It earned no distributable profits in the accounting years ended June 1956, 1957 and 1958. After earning profits in the year ended 30 June 1960, its board resolved on 9 February and 30 May 1960 to pay the outstanding preference amounts for those earlier years. The company withheld no tax. The officer treated it as in default under section 18(7) for ₹2,32,748.70; the departmental appellate authorities and Tribunal agreed. The Bombay High Court answered the reference for the company, and Revenue challenged that result.

Source: [SCR 781-782: share terms, board resolutions and default demand.](#)

02 DISCUSSION BY THE HON'BLE COURT

Grover J examined section 19(4) of the Finance Act 1959 as retrospectively amended by the Finance Act 1960. The 1959 legislation altered company/shareholder taxation and inserted dividend withholding duties into 1922 sections 18(3D) and 18(3E). The saving applied to dividends declared or payable on or before 30 June 1960 in respect of previous years relevant to assessment years before 1960-61. The dispute concerned the words “in respect of”. Resolutions, accounts, annual-report material and the meeting agenda connected the payments to the three earlier years. Revenue argued that company law allowed dividends only from profits and that the payments therefore belonged solely to 1959-60. The Court accepted the company-law premise but rejected importing its technical meaning into this particular tax saving: that would deprive much of section 19(4) of practical operation. Rights attached to the cumulative preference shares could relate to undischarged liabilities for the earlier years even though the funds came from later profits.

Source: [SCR 782-785C: statutory saving, two conditions and company-law distinction.](#)

03 JUDICIAL DECISION

The saving's language covered these payments and preserved the former tax treatment for them. The High Court's answer was affirmed. The holding depends on the specified declaration deadline, assessment-year boundary and retrospective amendment; it does not create an unrestricted withholding exemption for arrears of preference dividends.

Source: [SCR 784F-785C: operative construction and answer affirmed.](#)

04 OUTCOME / IN WHOSE FAVOUR

Special-leave appeal dismissed with costs; certificate appeal dismissed without costs. The challenged default demand was not justified because the transitional exemption applied. Historical Finance Act exemption decided on its conditions.

Source: [SCR 785C-D: distinct appeal dispositions and costs.](#)

05 AKHB REVIEW POINT

Read transitional language with the commercial right to which a payment relates, rather than assuming the year supplying cash determines every statutory consequence. For present withholding questions, the operative charging and deduction provisions and their dates must be independently checked. This judgment's short-lived saving is useful interpretive precedent, not a current dividend-payment instruction.

Source: [SCR 782-785: transitional language and confined reasoning.](#)

APPEAL AND PROCEEDING NUMBERS

Civil Appeal No. 1344 of 1971 — Revenue special-leave appeal decided on merits / Civil Appeal No. 139 of 1969 — Parallel certificate appeal dismissed after defective certificate revoked / Income-tax Reference No. 105 of 1962 — Originating High Court proceedings; not additional Supreme Court appeals

SOURCE & VERIFICATION

Original reported Supreme Court judgment

6-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 six physical text/image pages SCR780-785, headnote and docketphysical1, Grover opinionphysical2-6; no adjacent case. Two appeals same judgment:1344/1971 special leave merits dismissed with costs;139/1969 defective certificate dismissed without costs. Source varies April24/25 payment wording physical2-4; physical6 printed785, OCR788.

Open cited source rendition

SCR 782 gives first payment date 24 April 1960; SCR 781/783 use 25 April. Physical 6 is visibly SCR 785 although text extraction reads 788.

STATUTORY SCOPE

Finance Act, 1959, section 19(4), as amended by Finance Act, 1960; 18(3D), 18(3E), 18(7)

No direct modern counterpart is verified for this precise historical rule.

No direct modern equivalence is claimed; apply relevant versions and transition provisions independently.

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.

Other provisions addressed: Finance Act1959 section9; Finance Act1959 section19(4) as retrospectively amended in1960

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 whole536. 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.

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