

K. D. Kamath & Co. v. Commissioner of Income-tax, Bangalore

Civil Appeal No. 1242 of 1968

[1972] 1 SCR 1034 | 1971-10-11

Whether management control and borrowing restrictions vested in one partner destroyed mutual agency and prevented firm registration

Indian Income-tax Act, 1922: section 26A | Indian Partnership Act, 1932: sections 4, 11, 14 and 18

Two-judge bench; judgment delivered by C. A. Vaidialingam, J. | C. A. Vaidialingam, J. | P. Jaganmohan Reddy, J.

Historical ruling; verify current law

This judgment applies historical legislation and facts. Do not treat this note as a current-law or citator-status certificate.

01 FACTS OF THE CASE

A six-person firm placed management with the first partner and required the five working partners to follow his directions; they could not borrow or pledge firm property without authority. The Income-tax Officer and High Court treated the arrangement as lacking mutual agency.

Source: [Primary judgment: facts and procedural setting](#)

02 DISCUSSION BY THE HON'BLE COURT

Partnership required agreement to share profits and losses and business carried on by all or any acting for all. Exclusive management and internal restrictions are permissible contractual arrangements. Once those essentials exist, a restriction on borrowing regulates inter se authority without erasing partnership as to outsiders.

Source: [Primary judgment: reasoning](#)

03 JUDICIAL DECISION

The deed created a genuine partnership satisfying section 4; the firm qualified for section 26A registration.

Source: [Primary judgment: holdings](#)

04 OUTCOME / IN WHOSE FAVOUR

High Court answer reversed; question answered for the assessee; appeal allowed with costs.

Source: [Primary judgment: operative disposition](#)

05 AKHB REVIEW POINT

AKHB analysis: test the deed and actual relationship for profit/loss sharing and agency. Centralised control or internal borrowing limits do not alone negate partnership.

Source: [Primary judgment: review-point basis](#)

SOURCE & VERIFICATION

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

Complete 21-page SCR report read in page-preserving text and every page image inspected, from the reported opening page through the operative disposition.

[Open cited source rendition](#)

Exact catalogue SHA-256 and 21-page count verified; every page was read and visually inspected.

STATUTORY SCOPE

Historical statutory provisions are described as they appeared in the report. Verify the current enactment, amendments and later judicial treatment before reliance.

LATER TREATMENT

Source checked 2026-10-12. No comprehensive later-treatment or present-law clearance is represented. The note reports the historical statutory text and result in this primary report only.

AI DISCLOSURE

This AKHB research note was prepared with AI assistance from the identified primary report and has not been represented as independently human-reviewed.

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General legal and tax research only; not legal or tax advice. Verify the complete judgment, governing statutory version and subsequent judicial treatment before reliance. The AKHB REVIEW POINT is editorial analysis, not the Court's holding, and no current-law clearance is claimed.