

Commissioner of Income-tax, Andhra Pradesh v. C. P. Sarathy Mudaliar

Civil Appeals Nos. 2242 and 2243 of 1968

[1972] 1 SCR 1076 | 1971-10-12

Deemed dividend: loan to beneficially owning HUF was not a loan to a registered shareholder under the old provision.

Indian Income-tax Act, 1922: sections 2(6A)(e), 16(2), 18(5), 23A and 66(1)

2-judge bench; unanimous judgment delivered by K. S. Hegde, J. | K. S. Hegde, J. | H. R. Khanna, J.

Assessment years: 1955-56, 1956-57

Historical statutory setting

The old deemed-dividend text materially differs from later concern and beneficial-interest provisions; no current-law result is represented.

Fact and procedural limits

Apply the holding only within the facts, statutory text and procedural posture described in the primary report.

No current-law clearance

Later judicial treatment and current statutory applicability have not been comprehensively checked; no current-law or citator clearance is represented.

01 FACTS OF THE CASE

Three HUF members were registered shareholders in a closely held company, while the shares beneficially belonged to the family. Company advances were made to the HUF, and Revenue treated them as deemed dividends (SCR pp.1076-1079; PDF pp.1-4).

Source: [Primary judgment: facts](#)

02 DISCUSSION BY THE HON'BLE COURT

The artificial deeming provision required strict construction. Shareholder meant the registered holder, and an HUF could not be registered, so a loan to the HUF was not a loan to a shareholder. Revenue's alternative individual-benefit theory had not been raised before the Tribunal and lacked findings (SCR pp.1079-1083; PDF pp.4-8).

Source: [Primary judgment: discussion](#)

03 JUDICIAL DECISION

Both Revenue appeals were dismissed with costs (SCR p.1083; PDF p.8).

Source: [Primary judgment: decision](#)

04 OUTCOME / IN WHOSE FAVOUR

In favour of the assessee on the registered-shareholder limb; the alternative benefit limb was not decided on its merits (SCR pp.1079-1083; PDF pp.4-8).

Source: [Primary judgment: outcome](#)

05 AKHB REVIEW POINT

AKHB analysis: identify separately the registered shareholder, beneficial owner, payment recipient, accumulated profits and exact statutory limb. A new benefit theory requires pleaded facts and findings (based on SCR pp.1079-1083; PDF pp.4-8).

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

SOURCE & VERIFICATION

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

Full 8-page SCR source asset read in page-preserving text and visually inspected; adjacent-report boundaries were checked.

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Exact source bytes, SHA-256 and 8-page count match catalogue asset 1972_1_1076_1083; every page was read and visually inspected.

The source verifies the stated identity, bench, statutory issue and operative order.

No exact source-hash, asset-ID, SCR-citation, docket or same-judgment match was found in the published corpus or reviewed archive.

STATUTORY SCOPE

The old deemed-dividend text materially differs from later concern and beneficial-interest provisions; no current-law result is represented.

LATER TREATMENT

Source checked 2026-10-11. Later judicial treatment and current statutory applicability have not been comprehensively checked; no current-law or citator clearance is represented.

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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