

Pilani Investment Corporation Ltd. v. The Commissioner of Income Tax (Central)

Civil Appeal Nos. 2177 and 2178 of 1969 — Supreme Court appeal or expressly printed appeal group decided in this judgment and connected proceedings (full list below)

[1973] 3 SCR 206 | 1973-01-09

Under 1922 section 23A, a power to refuse share transfers did not itself destroy free transferability; two publicly held corporate shareholders did not establish control by a concerted group.

1922 Act: 23A and Explanation

2 Judges | P. Jaganmohan Reddy | H. R. Khanna

01 FACTS OF THE CASE

Pilani Investment faced deemed-distribution proceedings under section 23A of the Indian Income-tax Act, 1922 for assessment years 1952-53 and 1953-54. It had declared no dividend. Two companies held 3,21,594 of its 3,70,000 shares. The Income Tax Officer treated their holdings as outside public ownership and relied on article 33, which allowed directors to refuse registration of a transfer without giving reasons. The Tribunal found both shareholders to be companies in which the public were substantially interested and found no actual restriction on transfers. The Calcutta High Court nevertheless upheld section 23A by following *Tona Jute*.

Source: [SCR 207B-208G](#)

02 DISCUSSION BY THE HON'BLE COURT

The Supreme Court applied *Shree Krishna Agency*: a discretionary article alone did not negate free transferability. Evidence was required that directors had exercised that power so as effectively to remove it. The contrary *Tona Jute* approach could not stand. Nor did two public companies holding more than 75% establish a controlling group acting in concert. *Jubilee Mills* involved partners who collectively controlled voting power and was distinguishable. After an adjournment to inspect the record, Revenue could identify no cogent evidence of concerted control. Given that failure and the age of the assessment, the Court refused another factual inquiry by remand.

Source: [SCR 209A-210D](#)

03 JUDICIAL DECISION

The Court held that section 23A had been wrongly invoked on this record. It set aside the High Court judgment, discharged its affirmative answer and answered the reference in the negative, in favour of the assessee. The reasoning rested on the Tribunal's findings and the absence of evidence of actual transfer restrictions or concerted control; it did not make all corporate shareholdings automatically public.

Source: [SCR 210D-E](#)

04 OUTCOME / IN WHOSE FAVOUR

Both assessee appeals allowed, with costs in the Supreme Court and High Court; one set of hearing fees. The adverse section 23A reference answers were replaced. Revenue's requested remand was refused.

Source: [SCR 210D-E](#)

05 AKHB REVIEW POINT

For a legacy section 23A dispute, distinguish a power in the articles from its demonstrated exercise, and concentrated shareholding from concerted control. Preserve the findings about the shareholder companies themselves. This 1973 judgment is distinct from Pillani Investment's 1971 section 23A additional-super-tax limitation appeal. Its historical public-interest test should not be transplanted into another statutory definition without checking the applicable text.

Source: [SCR 208C-210E](#); [bounded editorial inference from the findings and reasoning](#); [Whole physical 2\(title\).6\(contents\).585-586 text/images newly read. Adopted legal scope only Chapter XI and 104-109 omission entries including 107A, printed 1.544-1.545 and amendment annotations. Adjacent provisions not adopted.](#)

APPEAL AND PROCEEDING NUMBERS

Civil Appeal Nos. 2177 and 2178 of 1969 — Supreme Court appeal or expressly printed appeal group decided in this judgment / Income-tax Reference Nos. 210 and 211 of 1964 — Originating High Court appeal/reference docket; not an additional Supreme Court appeal

SOURCE & VERIFICATION

Original reported Supreme Court judgment

5-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.

Open cited source rendition

The headnote at SCR 206 prints "Income-tax Act,1972" once; the judgment at SCR 207 expressly identifies the governing 1922 Act.

SCR 207 prints assessed income Rs 22,65,227, tax Rs 8,40,524 and deemed balance Rs 14,23,703; the printed subtraction is inconsistent by Rs 1,000. Those immaterial amounts are not used in the holding.

STATUTORY SCOPE

Indian Income-tax Act, 1922; 23A and Explanation

The separate 1971 Pillani judgment expressly compares section 23A with then-sections 104/106. A personally read 2011 statutory compilation records Chapter XI and sections 104-109 omitted by Finance Act 1987 from 1 April 1988;106 is labelled the limitation provision for 104 orders. This supports historical lineage and omission only, not a present levy.

No direct 2025 mapping of the former additional-tax regime is asserted; the old result is not applied through a similarly numbered provision.

qualified; operative legacy holding and bounded comparison are separately identified

LATER TREATMENT

Source checked 2026-10-07. No later judicial-use passage is adopted for this note. That is a limit of this review, not a statement that later treatment does not exist.

Comprehensive subsequent history and present-law applicability are not certified.

IDENTIFIED SOURCE LINKS[Income-tax Act, 1961: historical omission of Chapter XI and 104-109](#)

Department of Revenue-hosted Taxmann 2011/Finance Act 2011 compilation; historical omission evidence only Whole physical 2(title), 6(contents), 585-586 text/images newly read. Adopted legal scope only Chapter XI and 104-109 omission entries including 107A, printed 1.544-1.545 and amendment annotations. Adjacent provisions not adopted. Exact retained PDF checked before/after; only stated four pages personally read. Not a Gazette original or a 2026 consolidated statute. No 2025 analogue is inferred. Text pages read: 2, 6, 585-586. Image pages read: 2, 6, 585-586.

AI DISCLOSURE

AI-assisted research. The AKHB Review Point is editorial analysis, not part of the Court's judgment.

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