

COMMISSIONER OF INCOME-TAX WEST BENGAL-III, CALCUTTA v. M/S. INDIAN SUGAR MILLS ASSOCIATION

Present Supreme Court proceedings: Civil Appeals Nos. 1225 to 1228 of 1970; Originating High Court proceedings: Income Tax Reference No. 213 of 1966

[1975] 2 SCR 605 | 1974-11-05

The Association's income was not held wholly for charitable purposes: its rules permitted distribution of the entire profit to members and included independent trade-union purposes. A general prohibition on private distributions could not erase those coexisting provisions.

2-judge bench | H. R. Khanna, J. | A. C. Gupta, J.

01 FACTS OF THE CASE

The Indian Sugar Mills Association, a registered trade union, sought exemption under section 4(3)(i) for its sugar-export business income in four assessment years, 1958-59 to 1961-62. The referred question also covered interest on current and fixed deposits. Its rules promoted trade and the sugar industry, regulated employment and inter-member relations, and addressed restrictive trading conditions.

The assessing and appellate authorities rejected exemption. The Calcutta High Court allowed it, treating the promotion of trade as the primary charitable purpose and the remaining objects as ancillary. It also relied on Rule 4(a), which generally prohibited distributing income or property to members.

Source: [SCR 606D-607F](#)

02 DISCUSSION BY THE HON'BLE COURT

The Supreme Court accepted the governing distinction: a primary charitable purpose may coexist with non-charitable purposes that are genuinely ancillary and serve it. Promotion of trade can benefit a sufficiently identifiable public class; that proposition did not settle the effect of this Association's complete rules.

Rule 64 allowed the committee, with a general-meeting resolution, to distribute profits to members. Nothing required any part to remain devoted to charitable purposes. The power could consume the entire profit and introduced private gain inconsistent with the asserted general-public-utility object. It therefore distinguished Andhra Chamber of Commerce.

Although Rules 4(a) and 64 were repugnant, the Court refused to apply the priority rules used for inconsistent language in deeds or wills. The trade union's rules coexisted, and the Court could not rewrite them by deleting an inconvenient clause. Further, regulating employment, promoting employer-employee relations, adjusting members' controversies and imposing restrictive conditions were independent primary trade-union purposes under section 2(h), not merely ancillary charitable activities.

Source: [SCR 608A-611C](#)

03 JUDICIAL DECISION

All four Revenue appeals were allowed. The High Court's answer was discharged, and the referred question was answered affirmatively in favour of the Revenue, restoring the denial of exemption.

Source: [SCR 611C](#)

04 OUTCOME / IN WHOSE FAVOUR

Revenue appeals allowed. Result: Revenue. Costs: Revenue awarded costs in both Courts; one hearing fee. Scope: Claim under section 4(3)(i) rejected. Limit: Construction of this Association's rules for the four stated years.

Source: [SCR 611C](#)

05 AKHB REVIEW POINT

Read the whole governing instrument, including distribution powers and independent objects. Actual charitable expenditure cannot replace the enquiry whether the instrument permits private appropriation. Keep this 1922 Act reasoning distinct from later definitions, commercial-activity restrictions and exemption conditions that need their own version-specific analysis.

Source: [SCR 609D-611C](#)

SOURCE & VERIFICATION

Original reported Supreme Court judgment

7-page retained public-mirror SCR report. The complete report was read as text and page images. Fresh remote authentication as a signed original is not claimed.

Open cited source rendition

The judgment date is 5 November 1974. The source's running header at physical 2 prints [1975] 2 SCR, supporting the catalogue citation [1975] 2 SCR 605; physical 4 and 6 instead print [1975] 3 SCR. The conflicting printed headers are disclosed rather than silently treated as uniform. No separate authoritative report-volume reconciliation has been adopted.

STATUTORY SCOPE

Indian Income-tax Act, 1922: 4(3)(i), 66(1), 66A(2).

The checked 2011 section 11(1)(a) ties relief for income from property held wholly for charitable or religious purposes to application and permitted accumulation; subsection (b) separately addresses pre-Act partly charitable trusts. This selected text is not the full modern exemption regime.

The checked sections 2(23) and 332(1)-(2), FA 2026 edition, describe charitable purposes and registration conditions including public-benefit property held under an irrevocable trust. The judgment's private-gain enquiry is relevant background, not automatic registration or exemption under these provisions.

The checked section 536 preserves previous operation, accrued rights and liabilities, and specified earlier-tax-year and pending proceedings under the 1961 Act. Establish the governing year and savings before choosing a statutory comparison.

No automatic precedent carry-over or verified case-specific 2025 applicability is claimed.

LATER TREATMENT

Source checked 2026-10-07. Truck Operators' Union v. Commissioner of Income-Tax, New Delhi (Delhi High Court, 1981-02-02), paragraphs 9–12: Applies Indian Sugar Mills' private-distribution ground even where surplus can reach members only on dissolution. It rejects the submission that Surat Art Silk had disapproved that authority. This is the Delhi High Court's stated assessment in 1981, not a certification of all subsequent treatment.

Bounded later judicial use is recorded; no comprehensive subsequent history, absence of contrary treatment or current-law certification is asserted.

IDENTIFIED SOURCE LINKS

[Income-tax Act, 2025, as amended by Finance Act 2026](#)

Section 536(1) and (2)(a)–(e): physical 584–585, extracted lines 24385–24408. Selected official FA 2026 web-extracted text only; no raw-PDF, rendered-page or full-Act read claimed. No all-amendments or current-law certification.

[Income-tax Act, 1961, DOR-hosted Finance Act 2011 compilation](#)

Section 11(1)(a)–(b): physical 165–166, extracted lines 6990–7023. Selected web-extracted text only; no raw-PDF, rendered-page or full-Act read claimed. Historical version, not certification of current law.

[Income-tax Act, 2025, as amended by Finance Act 2026](#)

Section 2(23): physical 6, extracted lines 221–230. Selected official FA 2026 web-extracted text only; no raw-PDF, rendered-page or full-Act read claimed. No all-amendments or current-law certification.

[Income-tax Act, 2025, as amended by Finance Act 2026](#)

Section 332(1)–(2): physical 419–420, extracted lines 17121–17148. Selected official FA 2026 web-extracted text only; no raw-PDF, rendered-page or full-Act read claimed. No all-amendments or current-law certification.

[Truck Operators' Union v. Commissioner of Income-Tax, New Delhi \(1981-02-02\), nonofficial judicial text reproduction](#)

Paragraphs 9–12; identity and factual opening also inspected. Third-party public judicial text; no court-original PDF/image validation. Garbled Rule 54/64 wording in the reproduction is not adopted to change the original judgment.

AI DISCLOSURE

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

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