

C.I.T. MADRAS v. T. V. SUNDRAM IYENGAR (P) LTD.

Present Supreme Court proceedings: Civil Appeals Nos. 1392-93 of 1970; Originating High Court proceedings: Tax Case No. 116 of 1965 and connected proceedings (full list below)

[1975] Supp. SCR 93 | 1975-04-09

For the composite business, dividends and taxes had to be apportioned by the ratio of industrial and non-industrial profits. The actual dividend fell below the required aggregate and both segment allocations; additional super-tax therefore applied to the entire undistributed balance.

3-judge bench | Y. V. Chandrachud, J. | R. S. Sarkaria, J. | A. C. Gupta, J.

01 FACTS OF THE CASE

For 1957-58, the company had Rs. 17,41,814 in distributable profits: Rs. 3,36,504 industrial and Rs. 14,05,310 non-industrial. It distributed Rs. 4,20,640, claiming an equal allocation to the two activities. The officer apportioned the dividend by the profit ratio and charged additional super-tax on the Rs. 13,21,174 undistributed balance.

The Tribunal instead allocated enough dividend to meet the industrial segment's 45 per cent threshold and charged only the remaining segment's undistributed profits. The Madras High Court upheld that approach. The two references reached the Supreme Court through separate section 66(1) and 66(2) routes.

Source: [SCR 97A-B; 99A-100F](#)

02 DISCUSSION BY THE HON'BLE COURT

Section 23A, as recast in 1957, required the relevant statutory percentages to be applied separately to the two parts. Here these were 45 per cent for industrial profits and 60 per cent for non-industrial profits. Explanation 2's requirement that dividends and taxes be similarly apportioned meant splitting them in the same ratio as the corresponding profits. The company could not choose whichever allocation minimised liability.

The minimum aggregate dividend was Rs. 9,94,612. The actual dividend apportioned into Rs. 81,264 industrial and Rs. 3,39,376 non-industrial, leaving both below their thresholds. Crucially, the Court rejected a hypothetical default where a company had actually distributed the full aggregate minimum: allocation alone did not trigger section 23A in that example.

Although unnecessary to the actual dual shortfalls, the Court expressly addressed the levy's base after full argument. The tax was a single levy on the entire undistributed balance. The fiction treating each segment as total income served the percentage calculation and did not create separate companies or separate levy bases. The provision's penal nature placed the burden on Revenue and required strict construction, but did not justify departing from clear language.

Source: [SCR 101A-106E](#)

03 JUDICIAL DECISION

The High Court's order was set aside and the Revenue's appeal allowed with costs. The company was liable at 37 per cent on the entire undistributed distributable balance.

Source: [SCR 103A-B; 106F](#)

04 OUTCOME / IN WHOSE FAVOUR

Revenue succeeded in the connected appeals. Result: Revenue. Costs: Appeal allowed with costs. Scope: Whole-balance additional super-tax upheld. Limit: Historical section 23A formula and an actual aggregate dividend shortfall.

Source: [SCR 106F](#)

05 AKHB REVIEW POINT

Calculate the aggregate distribution requirement before treating an apportioned segment shortfall as a default. Separate the trigger, allocation method and levy base. A statutory fiction must serve its stated purpose; this historical super-tax mechanism supplies no automatic present-law dividend rule.

Source: [SCR 103D-F; 104G-106E](#)

APPEAL AND PROCEEDING NUMBERS

Present Supreme Court proceedings: Civil Appeals Nos. 1392-93 of 1970; Originating High Court proceedings: Tax Case No. 116 of 1965 / Reference No. 48 of 1965; Originating High Court proceedings: Tax Case No. 190 of 1967 / Reference No. 72 of 1967

SOURCE & VERIFICATION

Original reported Supreme Court judgment

14-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 printed report is [1975] Supp. SCR, despite the asset identifier's "S_1975_1" form; the caption spells SUNDRAM. SCR 95-96 separately reports counsel's arguments, not judicial reasons, which begin at SCR 97. The second referred question's wording could suggest complete Tribunal exemption; the Court expressly corrects that impression at SCR 100C-D. The disposal uses singular "appeal" after addressing the two connected appeals.

STATUTORY SCOPE

Indian Income-tax Act, 1922: 23A(1) and Explanation 2, 66(1), 66(2), 66A(2); Finance Act 2 of 1957 recasting the 1922 section 23A scheme.

No separate 1961 successor mapping adopted for this historical mechanism.

No direct 2025 successor mapping adopted. The old holding is not automatically carried into a different statutory scheme.

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. No verified later-use passage has been adopted. Subsequent treatment remains unverified; no absence of later treatment is asserted.

Comprehensive subsequent history and current-law applicability remain unverified.

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.

AI DISCLOSURE

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