

Indian Chambers of Commerce v. C.I.T., West Bengal-II, Calcutta

Civil Appeal No.2129 of 1970 / Civil Appeals Nos.2455–2457 of 1972

[1976] 1 SCR 830 | 1975-09-17

Whether arbitration fees, certificate-of-origin fees and a share of profits from weighthment/measurement certification earned by the chambers were exempt under section 11(1) read with the original section 2(15).

2(15) (original general-public-utility/activity-for-profit restriction) | 11(1) (exemption claim actually decided) | 28 (ordinary taxability of trade-association service income; section 28(iii) specifically appears in Revenue's recorded argument) | 256(1) (reference route from the Tribunal to the High Court)

Three-judge bench; unanimous common judgment | V.R. Krishna Iyer, J. | A.C. Gupta, J. | S. Murtaza Fazal Ali, J.

Assessment years: See the source-scope notes; no year inferred.

Original Revenue result; restrictive interpretation later overruled; statutory periods matter

The 1975 Court held the disputed incomes taxable: the assessee's appeal 2129/1970 was dismissed and Revenue's appeals 2455–2457/1972 were allowed, with own costs. Its rule was not that every fee or small surplus automatically defeats exemption. Surat Art Silk later rejected Indian Chamber's restrictive means/activity construction and profit-yield/no-express-restraint presumption; the contrary Sen opinion was dissent. The original criticism of Dharmodayam must also be read with Surat's account of the later correction. AUDA expressly recognises the overruling and material later statutory changes, including conditions and year-specific receipts limits; no blanket present exemption or denial follows. The report states accounting year 1963–64, not a verified AY. Comprehensive later treatment, current law and 2025 mapping remain not_verified. AUDA's receipts ceiling is taken from paragraph 253(A.2), rather than the inconsistent wording in paragraph 153(b). Its later clarifications were not reviewed.

01 FACTS OF THE CASE

Four appeals concerned the Indian and Cochin Chambers of Commerce, whose memoranda and articles the Court regarded as substantially similar. Civil Appeal No.2129 of 1970 arose from the Calcutta High Court's judgment of 29 May 1970 in Income Tax Reference No.1 of 1967. Revenue's Civil Appeals Nos.2455–2457 of 1972 challenged the Kerala High Court's judgment of 25 February 1972 in Income Tax Reference Nos.9, 10 and 11 of 1970. The two High Courts had taken opposite views (physical pages 5–6/SCR 834 F–835 E).

The Indian Chamber was registered under section 26 of the Indian Companies Act, 1913. Its objects promoted and protected Indian trade and related interests. Its income and property could not be distributed as profit to members, including on dissolution. The Court accepted that these objects advanced general public utility and did not dispute their public character merely because trade was served (physical pages 6–7/SCR 835 E–836 B).

The contested income came from arbitration fees, fees for certificates of origin and the Chamber's share of profit in M/s. Calcutta Licensed Measurers from weighment and measurement certificates. The services were available to members and non-members. The Court records a profit of Rs.1,58,690, most of it from the last source. It identifies 1963–64 as the accounting year, not expressly as the assessment year. The Income-tax Officer and Appellate Assistant Commissioner rejected exemption; the Tribunal reversed them, but the Calcutta High Court answered the section 256(1) reference for Revenue (physical pages 7–8/SCR 836 B–837 A).

The Chamber argued that the services implemented its dominant public-utility objects and that incidental surplus should not destroy exemption. Revenue argued that the profit-producing methods fell within the new statutory restriction. The judgment separately evaluated those positions; the report's longer sections labelled Arguments are counsel submissions, not additional judicial findings (physical pages 9–10/SCR 838 G–839 D).

Source: See the proposition-specific paragraph and PDF-page references below.

02 DISCUSSION BY THE HON'BLE COURT

The Court construed section 11 with the original section 2(15), against the background of section 28's ordinary treatment of service income. It accepted the general-public-utility object but held that the means used to advance it must not involve activities for profit. A connection between profitable activity and a public-utility object did not, on its construction, itself preserve exemption. Its reasoning drew on the recent *Loka Shikshana* judgment, including the majority's profit inference and selected observations from Beg, J.'s separate concurrence (physical pages 8–14/SCR 837–843).

The Court did not accept Revenue's extreme position that every charged service or every year-end surplus was disqualifying. Activities need not be free. A genuine no-profit basis could be shown by express or necessarily implied restrictions, consistent practice or strong surrounding circumstances, and mathematical matching of each receipt to expenditure was unnecessary. Minor or chance surpluses could remain consistent with that basis. Nevertheless, the Court presumed ordinary business activity yielding profit to be for profit unless contrary conditions were established, and placed the onus of bringing the income within the exemption on the assessee (physical pages 11–12/SCR 840 E–841 C and page 15/SCR 844 B–H).

Applying that approach, the Court treated the weight/measure profits and certificate-of-origin fees as taxable. Statutory recognition of a certifying institution showed standing and competence, but did not convert a profit-earning service into a non-profit activity. It found no provision limiting the returns from those services to a nominal, cost-conditioned charge. Arbitration was likewise a public-utility service, but no corresponding restraint on fees and profits had been shown. These were reasons for denying the specific claims, not a finding that charging any fee necessarily made every charitable service taxable (physical page 16/SCR 845 B–H).

The Court criticised the Kerala High Court's *Dharmodayam* reasoning as applying a wrong test. That comment arose in discussing a cited authority, not in disposing of a *Dharmodayam* appeal in this group. The later *Surat* discussion explains that this criticism rested on an invalid assumption about the category into which that case fell and notes the later Supreme Court decision upholding the Kerala judgment. The original report's editorial overruled label must therefore not be reproduced as an unqualified current statement (original physical pages 14–15/SCR 843 G–844 A; *Surat* physical pages 27–28/SCR 103 D–104 F).

The Finance Minister's explanation was used to illuminate the mischief addressed by the amended definition. At the end, however, the Court expressly said its conclusion would have been the same without that speech (physical pages 8–10/SCR 837 H–839 E; page 17/SCR 846 B).

Later treatment, separately verified: the *Surat Art Silk* majority expressly rejected Indian Chamber's construction that the means of attaining a public-utility object must be free of profit activities. It also rejected the presumption that profit actually earned, without an express prohibition, necessarily proved a profit purpose. Bhagwati, J., for three judges, applied the dominant-object-of-the-activity test; Pathak, J., separately concurred and rejected the need rigorously to exclude every profit activity where the purpose was truly charitable. Sen, J., endorsed the earlier decisions in dissent. The 1975 restrictive construction therefore cannot be presented as the governing rule without this later disapproval (*Surat* physical pages 21–35/SCR 97–111 and 41–43/SCR 117–119).

AUDA (19 October 2022) expressly describes *Surat* as overruling Indian Chamber's interpretation, while

02 DISCUSSION BY THE HON'BLE COURT

distinguishing the materially changed general-public-utility law after the later amendments. It addresses trade-promotion bodies and additional commercial or business-related services, and requires the applicable actual-carrying-out connection and receipts limits rather than automatic exemption from a public-utility label or the use of profits for charity. Its conclusions also distinguish cost or nominal-mark-up receipts and preserve separate-book safeguards under section 11(4A). These are bounded 2022 comparisons, not a comprehensive current-law determination (AUDA paragraphs 93–100, 129–130, 150–154, 200–205 and 253(A), (D), physical pages 56–59, 73, 84–87, 114–116, 141–144).

Source: See the proposition-specific paragraph and PDF-page references below.

03 JUDICIAL DECISION

The Court held the contested incomes taxable. It dismissed the assessee's Civil Appeal No.2129 of 1970 and allowed Revenue's Civil Appeals Nos.2455–2457 of 1972. Each party was to bear its own costs. The report's closing description Appeals partly allowed refers to that mixed formal disposition; all four results favoured Revenue on the substantive exemption issue (physical page 17/SCR 846 A–B).

Source: See the proposition-specific paragraph and PDF-page references below.

04 OUTCOME / IN WHOSE FAVOUR

In whose favour: Revenue on the original exemption issue in all four appeals

Civil Appeal No.2129 of 1970 dismissed; Civil Appeals Nos.2455–2457 of 1972 allowed; parties bear their respective costs

The three contested streams of income held taxable under the original section 2(15)/section 11 approach

No universal fee-equals-business rule; small incidental surplus on a genuine non-profit basis was recognised. The restrictive construction and profit presumption were later rejected in Surat. The accounting year is not silently relabelled as an AY, and the 1975 result is not a present blanket denial of chamber exemption.

Source: See the proposition-specific paragraph and PDF-page references below.

05 AKHB REVIEW POINT

Keep the original result distinct from the proposition for which the case is now cited. Indian Chamber is important historically because it required non-profit methods of advancing general public utility; the checked Surat majority rejected that construction. A note that reports only the dismissal, or only that the case was overruled, misses both the original fee-by-fee analysis and the precise later disagreement.

For a contemporary research problem, identify the statutory period, the particular service and charge, how the charge relates to cost, its connection with actual performance of the public-utility object and the applicable receipts limits and accounting safeguards. AUDA shows why neither a non-distribution clause nor the charitable use of business receipts supplies automatic exemption, while the historical Indian Chamber presumption is not itself a substitute for the later statutory analysis.

Source: See the proposition-specific paragraph and PDF-page references below.

PROPOSITION-SPECIFIC SOURCE PARAGRAPHS AND PDF PAGES

1.

Topic: Caption, date and bench

Source url: [Open cited source](#)

Pdf pages: 1

Paragraphs: First reported page heading

Source role: reported metadata

2.

Topic: Full appeal group and authorship

Source url: [Open cited source](#)

Pdf pages: 5; 6

Paragraphs: SCR 834 F-835 B

Source role: reported metadata and judicial opening

3.

Topic: Objects, income heads and accounting-year label

Source url: [Open cited source](#)

Pdf pages: 6; 7; 8

Paragraphs: SCR 835 E-837 A

Source role: judicial reasoning

4.

Topic: Historical construction and incidental-surplus qualification

Source url: [Open cited source](#)

Pdf pages: 10; 11; 12

Paragraphs: SCR 839 F-841 F

Source role: judicial reasoning

5.

Topic: Burden and profit inference

Source url: [Open cited source](#)

Pdf pages: 15

Paragraphs: SCR 844 B–H

Source role: judicial reasoning

6.

Topic: Application to certificates and arbitration

Source url: [Open cited source](#)

Pdf pages: 16

Paragraphs: SCR 845 B–H

Source role: judicial reasoning

7.

Topic: Appeal-specific disposition, costs and speech reservation

Source url: [Open cited source](#)

Pdf pages: 17

Paragraphs: SCR 846 A–B

Source role: operative order

8.

Topic: Direct later rejection of Indian Chamber construction

Source url: [Open cited source](#)

Pdf pages: 25; 26; 27; 28

Paragraphs: SCR 101–104

Source role: later majority treatment

9.

Topic: Beg endorsement; rejection of profit presumption

Source url: [Open cited source](#)

Pdf pages: 30; 31; 32; 33; 34

Paragraphs: SCR 106–110

Source role: later majority treatment

10.

Topic: Separate concurrence and dissent boundary

Source url: [Open cited source](#)

Pdf pages: 41; 42; 43; 64

Paragraphs: SCR 117–119; Sen dissent result SCR 140

Source role: later opinion distinction

11.

Topic: Historical treatment and post-amendment bounds

Source url: [Open cited source](#)

Pdf pages: 56; 57; 58; 59; 60; 71; 72; 73; 84; 85; 86; 87

Paragraphs: Paragraphs 93–103, 125–130, 150–154

Source role: later judicial context

12.

Topic: Trade promotion and general conclusions

Source url: [Open cited source](#)

Pdf pages: 114; 115; 116; 141; 142; 143; 144

Paragraphs: Paragraphs 200–205 and 253(A)–(D)

Source role: later judicial context

JUDICIAL AUTHORSHIP AND SEPARATE OPINIONS

V.R. Krishna Iyer, J.

ACT IDENTIFIED IN THE REVIEWED SOURCE

Income-tax Act, 1961; original section 2(15), section 11(1) and taxation of trade-association service income

OTHER STATUTORY PROVISIONS AND THEIR SEPARATE SCOPE

Indian Companies Act, 1913, section 26 (company's registration); Commercial Documents Evidence Act, 1939 (recognition of bodies issuing origin/weightment/measurement certificates; specific Schedule entries are in counsel's argument); Indian Income-tax Act, 1922 (earlier charitable-purpose regime contrasted)

SPECIFIED LATER JUDICIAL OR STATUTORY CHECKS AND THEIR LIMITS

1.

Kind: direct later judicial treatment

Status: bounded verified

Source urls: https://indian-supreme-court-judgments.s3.amazonaws.com/data/pdf/year=1980/english/1980_2_77_140_EN.pdf#page=27; https://indian-supreme-court-judgments.s3.amazonaws.com/data/pdf/year=1980/english/1980_2_77_140_EN.pdf#page=32; https://indian-supreme-court-judgments.s3.amazonaws.com/data/pdf/year=1980/english/1980_2_77_140_EN.pdf#page=33; https://indian-supreme-court-judgments.s3.amazonaws.com/data/pdf/year=1980/english/1980_2_77_140_EN.pdf#page=34; https://indian-supreme-court-judgments.s3.amazonaws.com/data/pdf/year=1980/english/1980_2_77_140_EN.pdf#page=41; https://indian-supreme-court-judgments.s3.amazonaws.com/data/pdf/year=1980/english/1980_2_77_140_EN.pdf#page=42; https://indian-supreme-court-judgments.s3.amazonaws.com/data/pdf/year=1980/english/1980_2_77_140_EN.pdf#page=43

Finding: Surat's three-judge Bhagwati majority rejects Indian Chamber's means/activity construction and both earlier cases' profit inference, endorses Beg's genuine-purpose reasoning and applies the dominant-object-of-the-activity test. Pathak separately concurs; Sen dissents. This does not establish wholesale overruling of all Loka education propositions.

Limit: Only registered pages independently read. The 1975 judgments are preserved as historical decisions; no comprehensive treatment review or rededecision of their own assessments.

2.

Kind: direct later judicial and statutory context

Status: bounded verified

Source urls:

[https://api.sci.gov.in/supremecourt/2017/37657/37657_2017_1_1501_39247_Judgement_19-Oct-2022.pdf#page=56;](https://api.sci.gov.in/supremecourt/2017/37657/37657_2017_1_1501_39247_Judgement_19-Oct-2022.pdf#page=56)
[https://api.sci.gov.in/supremecourt/2017/37657/37657_2017_1_1501_39247_Judgement_19-Oct-2022.pdf#page=57;](https://api.sci.gov.in/supremecourt/2017/37657/37657_2017_1_1501_39247_Judgement_19-Oct-2022.pdf#page=57)
[https://api.sci.gov.in/supremecourt/2017/37657/37657_2017_1_1501_39247_Judgement_19-Oct-2022.pdf#page=73;](https://api.sci.gov.in/supremecourt/2017/37657/37657_2017_1_1501_39247_Judgement_19-Oct-2022.pdf#page=73)
[https://api.sci.gov.in/supremecourt/2017/37657/37657_2017_1_1501_39247_Judgement_19-Oct-2022.pdf#page=85;](https://api.sci.gov.in/supremecourt/2017/37657/37657_2017_1_1501_39247_Judgement_19-Oct-2022.pdf#page=85)
[https://api.sci.gov.in/supremecourt/2017/37657/37657_2017_1_1501_39247_Judgement_19-Oct-2022.pdf#page=114;](https://api.sci.gov.in/supremecourt/2017/37657/37657_2017_1_1501_39247_Judgement_19-Oct-2022.pdf#page=114)
[https://api.sci.gov.in/supremecourt/2017/37657/37657_2017_1_1501_39247_Judgement_19-Oct-2022.pdf#page=141;](https://api.sci.gov.in/supremecourt/2017/37657/37657_2017_1_1501_39247_Judgement_19-Oct-2022.pdf#page=141)
https://api.sci.gov.in/supremecourt/2017/37657/37657_2017_1_1501_39247_Judgement_19-Oct-2022.pdf#page=144

Finding: AUDA expressly describes the overruling of Indian Chamber's interpretation by Surat and explains materially changed general-public-utility law. It discusses the actual-carrying-out connection, year-specific quantitative limits, cost/nominal-mark-up distinction, trade-promotion services and section 11(4A) safeguards.

Limit: Bounded 2022 primary-source reading only. Neither later clarifications nor subsequent statutory text nor a 2025 crosswalk has been comprehensively checked.

SOURCE & VERIFICATION

Hon'ble Supreme Court source PDF (reported judgment)

Identified source rendition: 17 PDF pages; SHA-256

345e11ad17d1c64065a828c104892b4aa04a7b29bdd98193396a18c311e4ee0d. Original bytes preserved.

Common judgment of Krishna Iyer, J., begins physical page 6/SCR 835 B and ends physical page 17/SCR 846 B. Editorial headnotes occupy page 1 and the upper part of page 2; separately labelled counsel arguments run from page 2/SCR 831 F to page 5/SCR 834 E; appellate metadata and appearances follow through the upper part of page 6. No separate judicial opinion or neighbouring judgment.

Open cited source rendition

The caption uses Indian Chambers of Commerce in the plural; the body describes the Indian Chamber and Cochin Chambers. The printed title is retained without creating a different entity.; The source catalogue lists only Civil Appeal No.2129 of 1970. The appellate heading and final judicial order also include Civil Appeals Nos.2455–2457 of 1972.; SCR 836 expressly uses accounting year 1963–64. No numbered assessment year is independently specified for these appeals in the judgment.; Reporter headnotes and separately labelled counsel arguments occupy substantial opening pages. Claims about section 28(iii), Schedule entries and every educational or medical profit activity in those arguments are not elevated into independent holdings.; Dharmodayam's facts and the Supreme Court's later correction are reported only as discussed in Surat's checked passages; no new full review of the original Dharmodayam source is claimed.; Surat's rejection of the construction and presumption is majority reasoning; Sen's opposite view is dissent. Later statutory amendments discussed in AUDA preclude treating Surat's historical test as a complete present rule.; AUDA paragraph 153(b) on physical page 86 prints should be exceed; paragraph 253(A.2) on page 141 clearly gives a does-not-exceed ceiling. The latter controls this note's bounded description; no silent alteration of the original PDF is made.

The judicial text at SCR 836 identifies 1963–64 as the accounting year, then refers to the return for the assessment year without numbering that year. It supplies no separate assessment years for the Cochin appeals. No conversion or borrowed AY is made.

STATUTORY SCOPE

No automatic mapping to the Income-tax Act, 2025 or current-law carryover certification. Verify the applicable enactment and statutory version separately.

LATER TREATMENT

Source checked 2026-10-05. not_verified

IDENTIFIED SOURCE LINKS

[reported judgment - PDF pages: 17](#)

SHA-256: 345e11ad17d1c64065a828c104892b4aa04a7b29bdd98193396a18c311e4ee0d

[later judgment bounded check - PDF pages: 64](#)

SHA-256: 0984cbcd2aa431d7cd395dcd1e0d7b7fd51be7b91dc813037289a839c8fdff

[later judgment bounded check - PDF pages: 149](#)

SHA-256: 337506bb14011d607bd09bff7abb821aa77aa618be94632ed8edc1716667f33f

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