

R. DALMIA v. COMMISSIONER OF INCOME-TAX, NEW DELHI

Civil Appeal No. 283 of 1972; Originating High Court proceedings: Income Tax Reference No. 31 of 1967

[1977] 2 SCR 654 | 1977-01-19

A non-director who admitted controlling the company and owned 60% of its equity satisfied the historical management and voting-power tests for taxable company benefits. Management could be exercised indirectly through staff without holding an office.

2-judge bench | R. S. Sarkaria, J. | P. S. Kailasam, J.

Historical two-element definition

The non-director limb required both management involvement and qualifying voting ownership. This judgment does not make 20% ownership alone sufficient under the old wording.

Operative context: Indian Income-tax Act, 1922; 2(6C)(iii), 66(1).

01 FACTS OF THE CASE

Bharat Union Agencies spent Rs. 53,398 on R. Dalmia's personal necessities without charging him. He was not a director, but beneficially owned 1,800 of its 3,000 equity shares. Another company, Allen Berry, provided benefits of Rs. 4,406. The Income-tax Officer assessed both amounts, but the Tribunal removed the Allen Berry item on another ground; only the Bharat Union benefit remained before the Supreme Court.

The Tribunal and Delhi High Court upheld that item under section 2(6C)(iii). The report states assessment year 1955-56 but also prints a previous-year end of 30 September 1964. That unresolved source inconsistency does not alter the identified statutory issue.

Source: [SCR 655 E-H;656 A-E](#)

02 DISCUSSION BY THE HON'BLE COURT

The Court first refused a new contention that the benefit consisted of gifts or unauthorised receipts rather than a qualifying perquisite. It depended on facts, had not been raised below or in the special-leave petition, and conflicted with the earlier undisputed receipt of the benefits.

The statutory clause treated directors separately. For a person who was not a director, "substantial interest" required two elements to coexist: concern in management and beneficial ownership of qualifying shares carrying at least 20% of voting power. The Court did not collapse those conditions into a shareholding test alone.

Dalmia's 60% voting interest satisfied the second element. His admitted control satisfied the first. A controller might direct the managerial staff from behind the scenes; neither a formal office nor an ostensible role was essential. The meaning of "concerned" came from its business-management context, so a narrower interpretation of that word in a different enactment did not govern. The Court expressly approved the Tribunal's analysis of indirect control.

Source: [SCR 656 F-H;657 A-H;658 A-H;659 A-C](#)

03 JUDICIAL DECISION

The High Court correctly answered the reference against the assessee. His appeal was dismissed with costs. The decision upheld taxation of Rs. 53,398, not the separate Allen Berry amount already removed by the Tribunal.

Source: [SCR 659 C-D](#)

04 OUTCOME / IN WHOSE FAVOUR

Assessee appeal dismissed; reference answer upheld. Result: Revenue. Costs: With costs. Scope: Rs. 53,398 benefit taxable under historical clause. Limit: Admission of managerial control plus 60% voting ownership; Allen Berry item excluded from this appeal.

Source: [SCR 659 D](#)

05 AKHB REVIEW POINT

Separate the director limb, ownership threshold and evidence of control before applying the historical clause. Admissions, instructions to managers and actual conduct can matter more than formal job titles. For a later year, compare the enacted income and substantial-interest definitions rather than importing the old management requirement or voting threshold without checking.

Source: [SCR 657 E-H;658 A-F;659 B-C](#)

SOURCE & VERIFICATION

Original reported Supreme Court judgment

6-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

SCR 655 prints AY 1955-56 and previous year ending 30-9-1964; both are retained as a source inconsistency, not silently corrected. Only the Rs. 53,398 Bharat Union item remained in appeal. Caption, decision date and both dockets are clear.

STATUTORY SCOPE

Indian Income-tax Act, 1922; 2(6C)(iii), 66(1).

The 2011 sections 2(24)(iv) and 2(32) do not retain the old non-director management limb. The later definition uses qualifying beneficial shareholding of at least 20% voting power; it must not be read back into the 1922 holding.

Sections 2(49)(g) and 2(79) cover company benefits and substantial interest without the old management requirement. The latter specifies at least 20% voting power in qualifying beneficially owned shares. This textual change is separate from Dalmia's admitted managerial control.

The 2025 Act commenced 1 April 2026. Section 536 preserves 1961 proceedings/procedure for tax years beginning before that date and pending proceedings; compare the actually applicable law.

Related-section tags are research cross-references, not provisions decided in this judgment or verified mappings beyond the specific comparisons and source bounds below.

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

LATER TREATMENT

Source checked 2026-10-07. No separate later judicial use is verified in this bounded review. No inference of absence of later treatment is made.

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

IDENTIFIED SOURCE LINKS

[Income-tax Act, 1961, as amended by Finance Act 2011; supplied DOR compilation](#)

Sections 2(24)(iv), 2(32); physical 58,63; printed 1.17, 1.22. Selected text only; not current 1961 consolidation or image verification.

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

Section 2(49)(g) physical 14 lines 534,556-561; 2(79) physical 19 lines 734-738. Selected web-extracted text; no raw-PDF/image verification or all-amendments certificate.

[Statutory comparison pinpoint](#)

Section 2(49)(g) physical 14 lines 534,556-561; 2(79) physical 19 lines 734-738.

[Statutory comparison pinpoint](#)

Section 1(3), physical 1; section 536(2)(c), (e), physical 584-585, extracted lines 24385-24408.

AI DISCLOSURE

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

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