

Commissioner of Income Tax, New Delhi v. Federation of Indian Chambers of Commerce and Industries, New Delhi

Tax Reference Case No. 17 of 1975

[1981] 3 SCR 489 | 1981-04-15

Whether FICCI's AY 1962-63 income remained exempt under the then sections 2(15) and 11 where its dominant general-public-utility purpose was trade promotion and the trade-fair and conference activities were found ancillary, and whether employee-benefit and financial-management clauses defeated that purpose.

2(15) (then definition including the profit-activity restriction) | 11(1)(a) (claimed exemption) | 11(4) (included in the first reference question) | 256(1) (original reference application) | 257 (direct reference to Supreme Court)

Three-judge bench; three separate opinions agreeing in the result | R.S. Pathak, J. | A.P. Sen, J. | E.S. Venkataramiah, J.

Assessment years: 1962-63

AY 1962-63 charity holding; later law requires a fresh test

FICCI won under the original section 2(15) profit-language and binding Surat Art Silk reasoning. The judges' criticisms did not reverse that outcome. The decision does not confer automatic exemption on trade bodies or all fee-earning activities today. The bounded 2022 AUDA check expressly distinguishes the amended regime and subjects commercial trade-body services to its conditions and period-specific limits. Comprehensive later treatment, current-law status and 2025 mapping are not verified.

01 FACTS OF THE CASE

FICCI was a company without share capital or dividend distributions whose income was expended on its objects. Its main purpose was promotion, protection and development of trade, commerce and industry in India. For AY 1962-63, corresponding to the year ended 31 December 1961, it filed a nil return claiming section 11(1)(a) read with section 2(15) exemption (physical page 5/SCR 493 A-E).

The recorded activities were concrete: the Indian Trade Fair in New Delhi produced Rs. 75,18,548 from space, temporary stalls and storage, Rs. 20,750 from season tickets and Rs. 3,94,143 from daily tickets; there were also participants' hotel deposits and advances. The Government gave Rs. 3,00,000 toward the Afro-Asian Organisation for Economic Cooperation conference, leaving Rs. 2,17,346.38 after expenses. Other receipts included Rs. 265.50 from a company-law book's profits, Rs. 5,371.82 arbitration fees, and Rs. 20,000 arbitration advances with a stated Rs. 299.18 balance. The report separately records Rs. 2,291.71 excess under the balance-sheet head "income"; it is not reconciled here as the net surplus of all these activities (physical pages 5-6/SCR 493 E-494 A).

The Officer treated the original section 2(15) profit-activity language as defeating exemption and assessed total income of Rs. 84,430 with a demand of Rs. 49,818. The Appellate Assistant Commissioner and Tribunal found no profit-oriented purpose and regarded the income-producing activities as incidental to the dominant public-utility object. Instead of a High Court reference, the Tribunal made a direct section 257 reference because of conflicting High Court interpretations. Three questions concerned taxability of the year's income, the exemption/onus formulation, and the character of FICCI's purpose (physical pages 6-7).

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

02 DISCUSSION BY THE HON'BLE COURT

All three judges followed the binding majority decision in *Surat Art Silk*. Pathak J.'s short opinion stated that the reference must be answered against the Revenue. Sen J. explained that, under that controlling interpretation of the then definition, the dominant charitable object determined the character of the institution where profit-making was not the real purpose and the business activity was merely incidental or ancillary. He voiced his continuing disagreement with the *Surat Art Silk* majority but expressly accepted its binding force. Those reservations did not constitute a dissent from FICCI's outcome (physical pages 4 and 8–9/SCR 492 F, 496–497).

Applying that historical rule, Sen J. treated the trade fair and Afro-Asian conference as advancing the dominant object of promoting trade, commerce and industry. Revenue counsel conceded the resulting exemption under the binding authority, while advancing a separate objection to memorandum clauses 3(v), 3(z1) and 3(z2), concerning employee benefit arrangements and the establishment or execution of trusts. The Court rejected that objection first because it had not been raised earlier, including before the Tribunal, and also on its merits (physical pages 9–10/SCR 497 F–498 G).

There was a distinction between the institution's purpose and powers incidental to carrying it out. Employee-benefit arrangements necessary to the organisation's functioning were incidental; the trust and fund-management clauses supplied powers for proper financial management. Sen J. expressly declined to decide whether employees themselves constituted a section of the public. He concluded that these ancillary powers did not negate the dominant charitable purpose (physical pages 10–11/SCR 498 G–499 C).

Venkataramiah J. agreed with Sen J.'s reasoning and conclusion and added reservations about *Surat Art Silk*, legislative purpose and misuse of exemptions. He nevertheless closed by accepting that the majority view had to be followed. His broader comments did not invalidate the exemption legislation, overrule *Surat Art Silk* or reverse the assessee's success. Nor did the Court formulate a freestanding general burden-of-proof rule beyond its answer to this reference (physical pages 11–15/SCR 499 D–503 A).

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

03 JUDICIAL DECISION

The direct reference under section 257, Tax Reference Case No. 17 of 1975, was answered against the Revenue and in favour of FICCI. The year's exemption stood. The Court made no order as to costs (Pathak J., physical page 4/SCR 492 F; Sen J., page 11/SCR 499 C–D; Venkataramiah J.'s agreement, pages 11 and 15).

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

04 OUTCOME / IN WHOSE FAVOUR

In whose favour: Assessee

Section 257 reference answered against Revenue and in favour of FICCI; no order as to costs

Historical exemption ruling following the binding Surat Art Silk majority; three separate opinions concur in the result

AY 1962-63 and the original profit-language; fact-specific ancillary activities and powers. No automatic exemption for every trade body, every fee activity or later assessment year; employees-as-public and wider policy issues were not decided.

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

05 AKHB REVIEW POINT

Separate the operative holding from the judges' reservations. FICCI succeeded because the controlling historical interpretation and the findings about its dominant purpose and ancillary activities supported exemption. The memorandum objection also required distinguishing substantive purposes from enabling powers. A quotation from Sen J.'s or Venkataramiah J.'s criticism of Surat Art Silk cannot be used as the ratio denying FICCI relief.

A bounded primary later check of Ahmedabad Urban Development Authority, decided 19 October 2022, directly identifies FICCI's old dominant-purpose reasoning at paragraph 98. It distinguishes the amended section 2(15) regime from that earlier test and treats specialised paid services and private rental space in fairs as potentially commercial receipts subject to the applicable proviso and period-specific limits (paragraphs 129–130, 152–153, 200–205 and 253(A), (D)). That later check prevents treating this 1981 result as automatic present exemption. It is not a comprehensive treatment search or certification of FICCI's current status.

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

PROPOSITION-SPECIFIC SOURCE PARAGRAPHS AND PDF PAGES

1.

Topic: Reported identity, date, bench and direct reference

Source url: [Open cited source](#)

Pdf pages: 1; 4

Paragraphs: SCR 489 heading; 492 D–H

Source role: reported metadata and judicial text

2.

Topic: Objects, precise AY, accounting year and recorded activities

Source url: [Open cited source](#)

Pdf pages: 5; 6

Paragraphs: SCR 493 A–494 A

Source role: judicial text

3.

Topic: Assessment history, three questions and section 257 route

Source url: [Open cited source](#)

Pdf pages: 6; 7

Paragraphs: SCR 494 B–495 H

Source role: judicial text

4.

Topic: Binding Surat Art Silk rule and Sen J.'s reservations

Source url: [Open cited source](#)

Pdf pages: 4; 8; 9

Paragraphs: SCR 492 F; 496 A–497 H

Source role: judicial text

5.

Topic: Ancillary purpose/powers objection, reservation and costs

Source url: [Open cited source](#)

Pdf pages: 10; 11

Paragraphs: SCR 498 A–499 D

Source role: judicial text

6.

Topic: Venkataramiah J.'s concurrence and non-operative broader reservations

Source url: [Open cited source](#)

Pdf pages: 11; 12; 13; 14; 15

Paragraphs: SCR 499 D–503 A

Source role: judicial text

7.

Topic: Bounded later direct citation of FICCI's historical test

Source url: [Open cited source](#)

Pdf pages: 58

Paragraphs: Paragraph 98

Source role: bounded later judicial treatment

8.

Topic: Bounded later distinction of the amended statutory regime

Source url: [Open cited source](#)

Pdf pages: 73; 85; 86

Paragraphs: Paragraphs 129–130 and 152–153; read with paragraph 253(A)

Source role: bounded later judicial statutory comparison

9.

Topic: Bounded later trade-promotion and commercial-service limits**Source url:** [Open cited source](#)**Pdf pages:** 114; 115; 116; 141; 142; 144**Paragraphs:** Paragraphs 200–205; 253(A) and (D)**Source role:** bounded later judicial treatment

JUDICIAL AUTHORSHIP AND SEPARATE OPINIONS

Separate opinions of R.S. Pathak, A.P. Sen and E.S. Venkataramiah, JJ.

ACT IDENTIFIED IN THE REVIEWED SOURCE

Income-tax Act, 1961 (original section 2(15) profit-language and section 11 exemption, AY 1962-63)

OTHER STATUTORY PROVISIONS AND THEIR SEPARATE SCOPE

Indian Income-tax Act, 1922, section 4(3)(i) (prior-year exemption history only)

SOURCE & VERIFICATION

[Hon'ble Supreme Court source PDF \(reported judgment\)](#)

Identified source rendition: 15 PDF pages; SHA-256

329e0a2a533ee7c0c4bac3122236668f7edc6db16cf152271e7dc1021622f1f0. Original bytes preserved.

Three unnumbered opinions: Pathak J. begins and ends physical page 4/SCR 492 F; Sen J. begins page 4/SCR 492 G and ends page 11/SCR 499 D; Venkataramiah J. begins page 11/SCR 499 D and ends page 15/SCR 503 A. Pages 1–3 and opening page 4 are editorial headnotes, followed by reference metadata. No neighbouring judgment.

[Open cited source rendition](#)

This is a direct tax reference, not a civil appeal. The three judges agree in the result, although Sen J. and Venkataramiah J. criticise the binding Surat Art Silk majority. The 4:1 division described in the report belongs to Surat Art Silk, not this case.; The headnote's first-page section-number typography is faulty; the judicial body controls and identifies sections 2(15) and 11(1)(a). The body also varies "Industry" and "Industries" in the organisation's name; the reported title is retained.; The prior 1922 Act exemptions do not govern the AY 1962-63 reference. The 1961 Act's original profit-activity wording is central.; The detailed activities and receipts are preserved as reported; neither total gross receipts nor the separately labelled Rs. 2,291.71 figure is silently treated as an audited reconciliation or universal profitability finding.; The employee-benefit and trust-management objection had not been raised before the Tribunal; the Court also rejects it on its merits. Whether the employees constitute a section of the public is expressly left undecided.; AUDA is a bounded later primary comparison. Its page 86 paragraph 153(b) has an apparent "should be exceed" slip; the clear limiting language in paragraph 153(c) and paragraph 253(A.2) controls the description. No current numerical threshold or unconditional exemption is certified.

AY 1962-63, with accounting year ended 31 December 1961, is expressly stated. Exemption in AYs 1960-61 and 1961-62 under section 4(3)(i) of the 1922 Act is prior history, not the governing law of this reference.

STATUTORY SCOPE

No automatic mapping to the Income-tax Act, 2025 and no present-law certification. Identify the applicable statutory version and procedural route separately.

LATER TREATMENT

Source checked 2026-10-04. not_verified. Bounded primary later check only: Ahmedabad Urban Development Authority, 19 October 2022, official PDF page 58/paragraph 98 directly cites FICCI; page 73/paragraphs 129–130 addresses statutory change; pages 84–87/paragraphs 150–154 and the opening of paragraph 155 provide context; pages 114–116/paragraphs 200–205 address trade bodies; pages 141–144/paragraph 253(A)–(D) summarise the changed regime. Identity/date checked at pages 1 and 149. No full re-review of the later judgment, comprehensive citation history, post-2022 treatment, present-law validation or 2025 mapping.

IDENTIFIED SOURCE LINKS

[reported judgment - PDF pages: 15](#)

SHA-256: 329e0a2a533ee7c0c4bac3122236668f7edc6db16cf152271e7dc1021622f1f0

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

SHA-256: 337506bb14011d607bd09bff7abb821aa77aa618be94632ed8edc1716667f33f

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