

Commissioner of Income-tax, Andhra Pradesh, Hyderabad v. Andhra Pradesh State Road Transport Corporation, Hyderabad

Civil Appeal Nos. 216–218 (NT) of 1973

[1986] 1 SCR 570 | 1986-03-07

Whether this statutory transport corporation's public-utility activities lost charitable character under the applicable historical provisions because it operated on business principles, could issue shares and earned a surplus.

2(15) (historical definition including the exclusion concerning an activity for profit) | 11(1)(a) (historical charitable-purpose exemption) | 261 (certificate appeal route)

Two-judge bench | V.D. Tulzapurkar, J. | D.P. Madon, J.

Assessment years: 1960-61, 1961-62, 1962-63

Historical charitable-purpose test; preserve actual capital and surplus conditions

This result covers AYs 1960-61 and 1961-62 under the 1922 Act and AY 1962-63 under the then section 2(15)/11 regime. Public utility was undisputed, no section 23(2) share capital had actually been raised, and surplus was legally restricted. The old predominant-purpose test is not an automatic answer under later amended provisions; the bounded AUDA comparison is identified separately. Comprehensive later treatment, current-law status and 2025 mapping are not verified.

01 FACTS OF THE CASE

The respondent corporation was established with effect from 11 January 1958 under the Road Transport Corporations Act, 1950. Its earlier claim that its property and income were those of the State protected by Article 289(1) had failed. It then claimed charitable-purpose exemption for AYs 1960-61 and 1961-62 under section 4(3)(i) of the 1922 Act, and for AY 1962-63 under section 11 of the 1961 Act. These became Civil Appeals 216, 217 and 218 (NT) of 1973 respectively (physical pages 4–6).

The assessing officer rejected exemption; the first appellate authority allowed it; the Tribunal restored the officer's decision. The High Court answered the common reference for the corporation. The Revenue's Supreme Court challenge concentrated on AY 1962-63 because the 1961 definition of charitable purpose added the exclusion relating to carrying on an activity for profit (physical pages 6 and 10–11).

The public-utility object of the transport activity was undisputed. The Revenue instead invoked the statutory obligation to act on business principles, the power to issue shares and the possibility of dividends. On the actual facts, however, no capital had been raised through section 23(2) shares: all capital came from Government under section 23(1), and Government received interest under section 28(1) (physical pages 13 and 15).

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

02 DISCUSSION BY THE HON'BLE COURT

The Court set out the distinct statutory wording for the two old-Act years and the 1961-Act year. Applying *Surat Art Silk and Bar Council of Maharashtra* to the historical section 2(15), it asked whether the predominant object of the activity was charitable or profit-making. Some surplus from a charitable activity did not itself defeat exemption under that version of the provision (physical pages 6–10 and 14).

Sections 3 and 18 of the transport legislation required an efficient, adequate, economical and coordinated transport service. Section 22's business-principles requirement described sound performance of that public duty. The corporation was not obliged to run at a loss or provide subsidised transport; attempting to balance every rupee of income and expenditure would be impractical and unsound management. These propositions answered the Revenue's profit-object argument within the historical tax test (physical pages 11 and 14).

The share-dividend argument lacked a factual foundation: the corporation had not exercised the statutory power to raise the alleged share capital. Interest paid to Government on the capital actually supplied was likened to interest on a debt. The Court therefore did not decide the tax result for a corporation with actual outside shareholders receiving dividends (physical page 15).

Section 30 reinforced the conclusion. After the prescribed financial provisions and permitted uses, the former wording directed the balance to Government for road development; the 1959 change allowed financing expansion programmes and directed the remainder to that same restricted purpose. Money remitted to Government did not become unrestricted State revenue. The legal obligation to use it for road development, itself a public-utility purpose, supported the absence of a profit-making object. The earlier refusal of State-income immunity was consistent with this separate charitable-exemption result (physical pages 5, 13 and 15).

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

03 JUDICIAL DECISION

The corporation was entitled to the exemptions claimed under the 1922 Act for AYs 1960-61 and 1961-62 and the 1961 Act for AY 1962-63. All three Revenue appeals were dismissed with costs. No remand, unrestricted State-income immunity or decision about later assessment years was granted (physical page 15/SCR 584 F–G).

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

04 OUTCOME / IN WHOSE FAVOUR

In whose favour: Assessee corporation

Civil Appeals 216–218 (NT) of 1973 dismissed with costs; historical exemption upheld for all three stated years

Final reasoned merits disposal

Historical 1922/1961 versions and this corporation's statutory objects, actual Government capital and restricted surplus destination; no automatic exemption for every statutory corporation or later year.

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

05 AKHB REVIEW POINT

Match the tax year to the statutory wording before using the purpose test. Then read the enabling law, actual funding arrangements, profit-distribution powers actually used and legally restricted surplus destination. A statutory public purpose and efficient commercial-style management can coexist, but the Court's rejection of an unexercised share-power argument must not be extended to materially different funding facts.

A bounded later primary check of Ahmedabad Urban Development Authority (19 October 2022), paragraphs 20, 27, 152–153, 166–168 and 253(A)–(B), confirms the danger of automatic transplantation. It records deletion of the old exclusion from 1 April 1984 and subsequent changes from 1 April 2009. Under the later regime it considers, predominance or reinvestment alone does not answer the enquiry; activity, charges, applicable receipt limits and related conditions matter, including for statutory bodies. This is a limited historical comparison, not a complete citator review or a current-law/2025 mapping.

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

PROPOSITION-SPECIFIC SOURCE PARAGRAPHS AND PDF PAGES

1.

Topic: Identity, appeal numbers and establishment

Source url: [Open cited source](#)

Pdf pages: 1; 4

Paragraphs: SCR 570 A–B; 573 A–H

Source role: reported metadata and judicial text

2.

Topic: Constitutional history and precise assessment-year/Act matrix

Source url: [Open cited source](#)

Pdf pages: 5; 6

Paragraphs: SCR 574 A–H; 575 A–E

Source role: judicial text

3.

Topic: Historical statutory text and adopted purpose test

Source url: [Open cited source](#)

Pdf pages: 6; 7; 8; 9; 10

Paragraphs: SCR 575 F–H through 579 F

Source role: judicial text

4.

Topic: Revenue's focused challenge and statutory service objects

Source url: [Open cited source](#)

Pdf pages: 10; 11

Paragraphs: SCR 579 F–H; 580 A–H

Source role: judicial text

5.

Topic: Finance, capital, interest and restricted net profits

Source url: [Open cited source](#)

Pdf pages: 12; 13

Paragraphs: SCR 581 A–H; 582 A–H

Source role: judicial text

6.

Topic: Business-principles and predominant-object reasoning

Source url: [Open cited source](#)

Pdf pages: 14

Paragraphs: SCR 583 A–G

Source role: judicial text

7.

Topic: Actual capital facts, surplus destination, exemption and costs

Source url: [Open cited source](#)

Pdf pages: 15

Paragraphs: SCR 584 A–G

Source role: judicial text

8.

Topic: Bounded later amendment history

Source url: [Open cited source](#)

Pdf pages: 17; 18; 21; 22

Paragraphs: Paragraphs 20–21 and 27

Source role: bounded later primary comparison

9.

Topic: Bounded later altered purpose test

Source url: [Open cited source](#)

Pdf pages: 85; 86; 93; 94

Paragraphs: Paragraphs 152–153 and 166–168

Source role: bounded later primary comparison

10.

Topic: Bounded later general and statutory-body conclusions

Source url: [Open cited source](#)

Pdf pages: 141; 142; 143

Paragraphs: Paragraph 253(A)–(B)

Source role: bounded later primary comparison

JUDICIAL AUTHORSHIP AND SEPARATE OPINIONS

D.P. Madon, J.

ACT IDENTIFIED IN THE REVIEWED SOURCE

Income-tax Act, 1961 and Indian Income-tax Act, 1922 (expressly segregated assessment years)

OTHER STATUTORY PROVISIONS AND THEIR SEPARATE SCOPE

Indian Income-tax Act, 1922, section 4(3)(i) and its charitable-purpose explanation; Road Transport Corporations Act, 1950, sections 3, 18, 19 and 22–30, particularly 22, 23, 28 and 30; Road Transport Corporation (Amendment) Act, 1959 (Act 28 of 1959), change to section 30 as quoted in the judgment; Article 289(1), Constitution of India (separate earlier litigation only)

SOURCE & VERIFICATION

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

Identified source rendition: 15 PDF pages; SHA-256

559fd23a9543576a60122dd613c0b4c9fe4d6b0d036d943a53469a82a904e21c. Original bytes preserved.

Complete unnumbered judicial body begins physical page 4/SCR 573 D and ends physical page 15/SCR 584 G. Editorial headnotes on pages 1–3 and quoted prior judgments on pages 5 and 8–10 separately identified; no neighbouring judgment.

[Open cited source rendition](#)

The decision expressly adjudicates two 1922 Act years and one 1961 Act year; do not relabel all three as section 11 cases.; Article 289(1) immunity had failed in separate earlier litigation. This judgment grants the distinct statutory charitable exemption and does not reverse that constitutional result.; General-public-utility character was undisputed. No issued section 23(2) share capital or dividends to outside shareholders were found. Do not turn the rejection of a factually unsupported argument into a universal rule about dividend-paying corporations.; The quoted section 2(15) wording is historical. The 1986 decision applies the wording relevant to AY 1962-63, rather than the legislation in force on the decision date.; The later AUDA check is bounded. Its physical page 86 contains apparent drafting slips in paragraph 153; the note relies on the statutory text at page 22 and reasoned discussion/final conclusions at pages 93–94 and 141–143, not those slips. No conclusion that this 1986 historical outcome was overruled is asserted.

Civil Appeals 216 and 217 concern AYs 1960-61 and 1961-62 under the 1922 Act. Civil Appeal 218 concerns AY 1962-63 under the 1961 Act. AYs 1958-59 and 1959-60 belong to earlier constitutional litigation, not the present assessment appeals.

STATUTORY SCOPE

No automatic mapping to the Income-tax Act, 2025 or present-law certification. Apply the statutory text for the relevant year.

LATER TREATMENT

Source checked 2026-10-04. Bounded 19 October 2022 AUDA primary-source comparison of the changed general-public-utility framework was read, as identified in the note and pinpoints. This does not certify all intervening or later judicial treatment, current status or a reversal of the historical 1986 outcome.

IDENTIFIED SOURCE LINKS

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

SHA-256: 559fd23a9543576a60122dd613c0b4c9fe4d6b0d036d943a53469a82a904e21c

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

SHA-256: 337506bb14011d607bd09bff7abb821aa77aa618be94632ed8edc1716667f33f

AI DISCLOSURE

AI-assisted research checked against the identified source. Extraction, interpretation or omission errors remain possible. Source review does not mean independent approval by a practising professional. Verify every material statement against the complete original judgment.

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