

Commissioner of Income Tax, U.P.-II, Lucknow v. Bazpur Co-operative Sugar Factory Ltd., Bazpur, District Nainital

Civil Appeal Nos. 563 and 564 of 1975

[1988] 3 SCR 1034 | 1988-05-06

Cane-price deductions: original bye-law, trading receipts and ineffective retrospective amendment.

Co-operative Societies Act, 1912: sections 2(a), 43 | United Provinces Co-operative Societies Rules, 1936: rules 8, 10 and 11 | Income-tax characterization of trading receipts; no specific charging section decided in the source

2-judge bench | R. S. Pathak, C.J. | M. H. Kania, J.

Assessment years: 1961-62 (Civil Appeal 563/1975; second appeal year not specified)

Original bye-law controls; no blanket rule for cooperative deposits

Later Siddheshwar (2004) distinguishes Bazpur: a trading connection alone does not make every deposit income. Examine repayment rights, loss absorption and dominion over each fund. This 1988 receipts judgment is distinct from Bazpur's 1989 interest-deduction judgment.

01 FACTS OF THE CASE

For AY 1961-62, the sugar cooperative added Rs. 5,15,863 to its Loss Equalisation and Capital Redemption Reserve Fund by deducting from member-growers' cane prices. The original bye-law first exposed the money to society losses, then repayment of the initial IFCI loan and redemption of Government shares; only the balance could become members' share capital. In 1965 the society amended the bye-law to prioritise making shares fully paid and eventual refund, purporting to operate from 1 July 1958. The Tribunal and High Court accepted that retrospective change. A connected appeal concerned Rs. 6,11,846 credited to the fund.

Source: [SCR pp. 1036-1039 and 1044 / PDF pp. 3-6 and 11](#)

02 DISCUSSION BY THE HON'BLE COURT

The society's bye-law amendment power did not expressly or impliedly authorise retrospective operation. Accordingly, receipts in the accounting period had to be characterized under the original bye-law. Names used in accounts cannot displace the true nature of a receipt. These amounts arose in trading operations and, under the original priorities, principally discharged society losses and liabilities rather than an enforceable obligation to return members' money. The Court therefore treated them as trading receipts. Its deposit analysis turns on the actual rights and fund terms, not the word deposit alone.

Source: [SCR pp. 1039-1044 / PDF pp. 6-11](#)

03 JUDICIAL DECISION

Civil Appeal 563/1975 was allowed with costs, including costs of the income-tax reference identified in the order. The Rs. 5,15,863 deductions were taxable trading receipts under the original bye-law. Civil Appeal 564/1975 was also allowed: the question whether Rs. 6,11,846 was of revenue nature assessable to tax was answered affirmatively for Revenue, with no order as to costs in that appeal.

Source: [SCR pp. 1044-1045 / PDF pp. 11-12](#)

04 OUTCOME / IN WHOSE FAVOUR

In favour of Revenue in both appeals on the receipt-characterization issue. The society could not retrospectively change that result through its later bye-law amendment. No universal result is stated for other societies, different refund obligations or later assessment years.

Source: [SCR pp. 1042-1045 / PDF pp. 9-12](#)

05 AKHB REVIEW POINT

AKHB analysis: obtain the bye-law version in force when the money was received and test actual repayment rights, absorption of losses, control and the primary purpose of collection. A later amendment should not be assumed to rewrite an earlier year. The bounded later check in *Siddheshwar Sahakari Sakhar Karkhana Ltd. v. CIT* (8 September 2004), SCR pp. 170-174 / PDF pp. 16-20, clarifies that a trading link alone is insufficient and distinguishes *Bazpur* by interest provisions, loss absorption and members' tenuous rights under the original fund. Do not extrapolate the 1988 holding to every non-refundable deposit.

Source: [SCR pp. 1042-1044 / PDF pp. 9-11](#); later comparison: [Siddheshwar SCR pp. 170-174](#); [Siddheshwar, SCR pp. 170-174](#)

SOURCE & VERIFICATION

[Supreme Court Reports scan - public eSCR mirror](#)

12-page SCR scan. Judicial body begins on PDF p. 3 / SCR p. 1036 and ends at PDF p. 12 / SCR p. 1045; both separately disposed appeals covered.

Open cited source rendition

Complete source judgment body read, excluding editorial headnote as independent authority; source identity and ending visually checked.

Exact source bytes match the supplied consolidated-index SHA-256; public mirror scan, not a certified court copy.

SCR p. 1044 says amended while describing original bye-law priorities; Siddheshwar (2004), SCR p. 173, expressly marks this as sic unamended. The original bye-law on SCR p. 1037 and the operative analysis govern.

The source inconsistently labels the first referred answer affirmative/negative and prints ITR 67/1979 in the costs line; jurisdiction/opening identify ITR 67/1969. The substantive Revenue victory is explicit and preserved without inventing a corrected order.

Distinct from the separately published 1 May 1989 Bazpur interest-deduction judgment.

STATUTORY SCOPE

Historical statutory text and assessment periods control. No automatic Income-tax Act, 2025 crosswalk or present-law certification.

LATER TREATMENT

Source checked 2026-10-09. Only the expressly identified bounded later comparison is verified. Comprehensive subsequent judicial treatment and current-law applicability have not been verified.

IDENTIFIED SOURCE LINKS

[Siddheshwar Sahakari Sakhar Karkhana Ltd. v. CIT, 8 September 2004](#)

SHA-256: 5c6247e9822be7fca57530b47ae83b30c0cdb929cdc480df00296e0391367352

[Related note: Commissioner of Income-Tax, Lucknow v. Bazpur Co-operative Sugar Factory Ltd.](#)

[Related note: Siddheshwar Sahakari Sakhar Karkhana Ltd. v. C.I.T., Kolhapur and Others](#)

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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