

COMMISSIONER OF INCOME TAX, BOMBAY v. RASIKLAL MANEKLAL (H.U.F.) & ORS.

Civil Appeal Nos. 1905-06 (NT) of 1974 and 3414 of 1984; Originating High Court proceedings: I.T.R. No. 19 of 1967, 66 of 1964 and 27 of 1972

[1989] 2 SCR 179 | 1989-03-29

On the confined 1922 Act question, replacement shares allotted on amalgamation were neither an exchange nor a relinquishment. The judgment did not decide the broader extinguishment limb subsequently considered under the 1961 Act.

2-judge bench | R. S. Pathak, C.J. | Ranganath Misra, J.

Exchange/relinquishment only under the 1922 Act

Do not use this as a general no-transfer rule for later amalgamations. The later extinguishment definition and subsequent Supreme Court discussion require separate treatment.

Operative context: Indian Income-tax Act, 1922; 12B(1), 33B.

01 FACTS OF THE CASE

The HUF originally bought one Shorrock share for Rs. 3,307. A split and later bonus issues left it holding 90 shares. Under a court-sanctioned amalgamation, Shorrock's undertaking vested in New Shorrock; the old company was dissolved, and one new share was allotted for every two old shares. The HUF consequently received 45 New Shorrock shares.

The officer did not apply section 12B in the 1961-62 assessment. The Commissioner revised under section 33B, directing inclusion of Rs. 49,350 as capital gains. The Tribunal and Bombay High Court rejected the charge. Before the High Court, Revenue expressly did not advance sale or transfer; the controversy was confined to exchange or relinquishment.

Source: [SCR 180 H;181 A-H;182 A-G](#)

02 DISCUSSION BY THE HON'BLE COURT

Exchange required reciprocal transfers of property: one person transfers ownership to another and receives another property in return. The assessee had not transferred property to anyone as the reciprocal consideration for its new shares. Holding 90 old shares was the qualifying condition for the allotment. The old holding lost its value when the company dissolved.

Relinquishment, as analysed here, required the owner to withdraw from and abandon rights in property which continued to exist afterwards. The dissolution and consequent loss of value of the old shares did not satisfy that conception. The Court therefore agreed that neither of the two pleaded descriptions applied.

The statutory and forensic limits matter. This was section 12B of the 1922 Act, and the Court repeatedly described the sole question as exchange or relinquishment. It did not establish a general exemption for amalgamations, decide every meaning of transfer, or interpret a later definition expressly embracing extinguishment. The connected appeals raised similar questions and were disposed of on the same footing.

Source: [SCR 182 D-H;183 A-F](#)

03 JUDICIAL DECISION

Revenue's appeals were dismissed with costs. The High Court's taxpayer-favourable answers on the exchange-or-relinquishment issue were upheld.

Source: [SCR 183 F-G](#)

04 OUTCOME / IN WHOSE FAVOUR

Revenue appeals dismissed. Result: Assessee. Costs: With costs. Scope: Exchange and relinquishment grounds failed under old 12B. Limit: No general determination under the 1961 extinguishment limb or all amalgamation provisions.

Source: [SCR 183 G](#)

05 AKHB REVIEW POINT

Identify the precise statutory transfer limb and the questions actually litigated before citing this case. Separate the company's asset vesting from the shareholder's old and new holdings. For later legislation, examine extinguishment and any conditional amalgamation exemption independently; a favourable 1922 outcome does not dispense with those inquiries. The later judgments distinguish the statutory definitions and the character of the holding; they should accompany any practical citation.

Source: [SCR 182 E-G;183 B-F](#)

SOURCE & VERIFICATION

Original reported Supreme Court judgment

5-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

The printed group includes two 1974 appeals and one 1984 appeal. Three Bombay references and two judgment dates are given without an unambiguous individual mapping; the express groups are preserved. The body's facts concern the lead HUF case and are not invented for every connected appellant.

STATUTORY SCOPE

Indian Income-tax Act, 1922; 12B(1), 33B.

Section 2(47)(i),(ii) in the 2011 text independently includes extinguishment as well as sale, exchange and relinquishment. Grace Collis separately verifies the 1961 statutory distinction and its cost consequence.

Section 2(109)(a),(b) expressly retains the independent extinguishment limb. Determine any applicable amalgamation exemption and share character separately; a no-exchange holding under old 12B is not a blanket no-transfer result.

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. Grace Collis (2001) distinguished the 1922 setting and held that extinguishment independently falls within 1961 section 2(47). Jindal, 2026 INSC 46, paragraphs 18.1–18.3 reconciles that transfer analysis with Rasiklal's strict no-exchange proposition. For trading-stock shares, it applies a real and presently realisable business-profit test, with Revenue bearing the factual burden, and remits classification/restrictions to the Tribunal.

This is not a blanket overruling of Rasiklal or a universal tax on allotment. Jindal paragraph 17.1 acknowledges a possible earlier vested enforceable allotment right; paragraph 30 states the ordinary allotment rule categorically. The note does not resolve that timing nuance beyond the bounded passages. Comprehensive subsequent history remains unverified.

IDENTIFIED SOURCE LINKS

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

Section 2(47)(i),(ii); physical 70, printed 1.29. Selected text only; not current 1961 consolidation or image verification.

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

Section 2(109)(a),(b); physical 24, lines 965–967. Selected web-extracted text; no raw-PDF/image verification or all-amendments certificate.

[Commissioner of Income-tax v. Grace Collis \(2001-02-23\), nonofficial judicial text reproduction](#)

Unofficial Indian Kanoon judgment reproduction. Unnumbered paragraphs beginning "In Commissioner of Income-tax, Bombay v. Rasiklal Maneklal" through "This, however, is not the end of the matter". No reliable printed pagination supplied.

[Commissioner of Income-tax v. Grace Collis \(2001-02-23\), nonofficial judicial text reproduction](#)

Unofficial Indian Kanoon judgment reproduction. Unnumbered paragraphs beginning "We have given careful thought" through the paragraph applying section 49(2). No reliable printed pagination supplied.

[M/s Jindal Equipment Leasing Consultancy Services Ltd v. Commissioner of Income Tax \(2026-01-09\), official web text](#)

Official Supreme Court PDF; paragraphs 17.1–18.6; printed/PDF pages 36–40 (zero-based PDF pages 35–39). Contains the earlier-right nuance, no-exchange reconciliation, and realisability conditions.

[M/s Jindal Equipment Leasing Consultancy Services Ltd v. Commissioner of Income Tax \(2026-01-09\), official web text](#)

Official Supreme Court PDF; paragraph 24.3; printed/PDF page 54 (zero-based PDF page 53). Revenue burden and factual determination.

[M/s Jindal Equipment Leasing Consultancy Services Ltd v. Commissioner of Income Tax \(2026-01-09\), official web text](#)

Official Supreme Court PDF; paragraphs 28-31 including 28.1; printed/PDF pages 58-60 (zero-based PDF pages 57-59). Application, allotment timing, remand.

[Statutory comparison pinpoint](#)

Section 2(109)(a),(b); physical 24, lines 965-967.

[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.

PROFESSIONAL DISCLAIMER

General information, not legal or tax advice. Verify the complete judgment, applicable law and subsequent treatment before reliance. Source review is not independent professional approval.