

RAMPUR DISTILLERY AND CHEMICALS CO. LTD. v. COMMISSIONER OF INCOME-TAX, LUCKNOW

Civil Appeal No. 1762 (NT) of 1975; Originating High Court proceedings: I.T. Reference No. 720 1971

[1990] Supp. 3 SCR 320 | 1990-11-21

Dividend shares irrevocably set apart with trustees and unconditionally available to shareholders in 1952 were taxable in 1952-53. A later injunction and physical receipt in 1957 did not move this dividend into 1957-58 under the old timing rule.

2-judge bench | S. Ranganathan, J. | K. Ramaswamy, J.

Unconditional availability, not declaration alone

The historical timing result rests on an irrevocable trust allocation before the injunction. A revocable declaration or different later statutory text requires separate analysis.

Operative context: Indian Income-tax Act, 1922; 16(2).

01 FACTS OF THE CASE

Rampur's dispute concerned Rs. 77,500 representing the face value of 7,750 cement-company shares received as dividend from sugar companies. On 16 January 1952, shareholder resolutions declared a dividend in specie and authorised trustees to distribute the earmarked shares. The shares and their income were placed on trust for the shareholders entitled on that date, and negotiable certificates were issued.

An injunction on 22 February 1952 prevented further distribution. Following a 1957 compromise decree upholding the resolutions, Rampur received the dividend on 18 January 1957. It initially included the income in 1957-58, then claimed that 1952-53 was the proper year. The Tribunal agreed, but the Allahabad High Court favoured the later year.

Source: [SCR 323A-H;324 A-H;325A-H](#)

02 DISCUSSION BY THE HON'BLE COURT

Section 16(2) supplied a special timing rule: dividend income belonged to the year in which paid, credited or distributed, including deemed payment, credit or distribution. Mere due-ness and the shareholder's eventual physical receipt were not interchangeable with those statutory events.

Drawing on J. Dalmia and related authorities, the Court treated payment as occurring when the company discharged its liability and made the dividend unconditionally available. Here the valid resolutions and irrevocable trust allocation left nothing for the general body to recall. A shareholder demanding distribution between 16 January and 22 February 1952 would have been entitled to it.

The injunction later blocked the formal handing over, but did not reverse the completed unconditional allocation. Nor did continued balance-sheet presentation of the shares as investments undo the valid resolutions. The Court approved Bharat General Reinsurance on the same facts. The finding depends on the irrevocable steps actually taken; it is not a rule that every declaration, including a revocable interim declaration, immediately creates taxable receipt.

Source: [SCR 326 A-H;327 A-H;328 A-C](#)

03 JUDICIAL DECISION

The appeal was allowed and the reference answered for Rampur. The dividend fell in 1952-53, not 1957-58. Each party was directed to bear its own costs.

Source: [SCR 328 D-E](#)

04 OUTCOME / IN WHOSE FAVOUR

Assessee appeal allowed; reference answered for assessee. Result: Assessee on the assessment-year dispute. Costs: Parties bear own costs. Scope: Dividend timing fixed to 1952-53 under 16(2). Limit: Irrevocable and unconditional 1952 allocation before the injunction.

Source: [SCR 328 D-E](#)

05 AKHB REVIEW POINT

Reconstruct declaration, vesting, unconditional availability, injunction and actual delivery as separate events. Inspect whether the company retained power to revoke and what the shareholder could enforce before any restraint. Apply the correct dividend-timing provision for the year; later final and interim dividend rules must be compared separately.

Source: [SCR 326 E-H;327 D-H;328 A-C](#)

SOURCE & VERIFICATION

[Original reported Supreme Court judgment](#)

9-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 headnote says post-decree payment 16 January 1952; the judicial narrative says payment 17 January 1957 and receipt 18 January 1957. These dates are not merged. The holding clearly rests on unconditional availability 16 January 1952 before the 22 February injunction. Some judicial sentences also inconsistently describe company roles; no new ownership structure is inferred.

STATUTORY SCOPE

Indian Income-tax Act, 1922; 16(2).

The checked 2011 version of section 8 distinguishes declared/distributed/paid dividends in clause(a) from interim dividends unconditionally available under clause(b). This is a historical bridge, not verified current 1961 wording.

Section 7(2)(a),(b), in the official FA 2026 rendition, retains separate general and interim dividend timing rules. The old 16(2) result cannot be applied to every current dividend merely by asking when it became unconditionally available.

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](#)

Section 8; physical 75, printed 1.34. Selected text only; not current 1961 consolidation or image verification.

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

Section 7(2)(a),(b); physical 29-30, extracted lines 1161-1168. Selected web-extracted text; no raw-PDF/image verification or all-amendments certificate.

[Statutory comparison pinpoint](#)

Section 7(2)(a),(b); physical 29-30, extracted lines 1161-1168.

[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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