

# Commissioner of Income-Tax v. Manoharlal Gupta and Co.

Civil Appeal No. 187 (NT) of 1978

[1996] 1 SCR 175 | 1996-01-05

**An earlier assessment of one partner did not establish an election to tax the partners instead of the firm under section 3 of the 1922 Act. On the recorded facts, the Supreme Court upheld the firm's assessment and allowed Revenue's appeal.**

Two-judge bench | B.P. Jeevan Reddy, J. | S.B. Majmudar, J.

## Fact-specific 1922 Act election

A fact-specific section 3 election under the 1922 Act; the Court expressly says the later Act has no such option.

Operative context: Indian Income-tax Act, 1922; historical sections 3.

## 01 FACTS OF THE CASE

The firm had not applied for registration. For AY 1961-62, its income was assessed at Rs. 59,623, including an agreed Rs. 50,000 from other sources. Its sole appellate objection was that one partner, Manoharlal, had already been assessed on his share income on 31 January 1966, before the firm's assessment on 23 March 1966.

Different Income-tax Officers made the two assessments. The partner's order accepted his stated income for the time being and expressly contemplated rectification when the officer received the relevant report. The Tribunal upheld the firm's assessment. The Calcutta High Court reversed it by following an earlier unreported decision whose text was not available to the Supreme Court.

Source: [SCR 175 F-176 D](#)

## 02 DISCUSSION BY THE HON'BLE COURT

The Court separated the governing statutory rule from its application to the record. Referring to its recent Atchaiah decision, it explained that the 1922 Act gave the officer an option to assess the firm or its partners on the firm's income. Once genuinely exercised one way, that option precluded taxing the same amount in the other hands. The Court expressly contrasted the later Act, under which that option was unavailable.

The decisive question was therefore whether an election had actually occurred. The firm's assessing officer was not shown to know that a partner had already been assessed; the Tribunal lacked information about the assessment of any other partner. The express qualification in Manoharlal's own order reinforced the conclusion that it was not a concluded choice of the partners over the firm.

The Court treated this as an inference from undisturbed facts, rather than a rule that different officers can always tax the same income twice. It noted that Manoharlal could have sought rectification under the express terms of his assessment. That observation was not a rectification order or a quantified refund direction.

Source: [SCR 176 F-177 F](#)

## 03 JUDICIAL DECISION

The Tribunal was justified in finding that the section 3 option had not been exercised. The Supreme Court set aside the High Court judgment and answered the reference affirmatively, upholding assessment of the unregistered firm.

Source: [SCR 177 D-G](#)

## 04 OUTCOME / IN WHOSE FAVOUR

Revenue's appeal allowed; High Court judgment set aside; reference answered affirmatively. Result: Revenue. Costs: No costs. Scope: Validity of the firm's assessment decided on the old statutory election issue. Limit: A fact-specific section 3 election under the 1922 Act; the Court expressly says the later Act has no such option.

Source: [SCR 177 D-G](#)

## 05 AKHB REVIEW POINT

Check the applicable statutory version before relying on assessment of a partner as a bar to assessment of the firm. Where an old-Act election is genuinely in issue, obtain both assessment orders and identify their qualifications, the officers' knowledge and the Tribunal's factual findings. Chronology alone did not establish an election here.

Source: [SCR 176 F-177 F](#)

## SOURCE & VERIFICATION

### Original reported Supreme Court judgment

3-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 report contains an isolated '1992 Act' reference and quotes a notice under section 143(2); its express governing-law statement and final holding apply the 1922 Act. Those internal references are not treated as separate 1961 Act holdings.

### **STATUTORY SCOPE**

Indian Income-tax Act, 1922; historical sections 3.

Current statutory equivalence and Income-tax Act, 2025 applicability have not been verified. No automatic carry-over of this precedent is claimed.

### **LATER TREATMENT**

Source checked 2026-10-06. ACIT v. Puri Bros., [1999] 69 ITD 165 (Amritsar), decided 31 August 1998, paragraph 6, cited this decision alongside Atchaiah when rejecting the proposition that prior partner assessments automatically secured the firm's registration. That is a specific Tribunal use, not a comprehensive subsequent-history check.

Verified the specific citation and discussion in ACIT v. Puri Bros., paragraph 6; comprehensive subsequent history remains unverified.

Puri Bros. paragraphs 1–8, especially paragraph 6; judicial text on a nonofficial host, no raw PDF/image verification.

### **IDENTIFIED SOURCE LINKS**

[Assistant Commissioner of Income Tax v. Puri Bros. \(1998-08-31\)](#)

Judicial order paragraphs 1–8, web lines 41–95, especially paragraph 6 at lines 74–91. Nonofficial host; no raw PDF or images read.

### **AI DISCLOSURE**

AI-assisted research. The AKHB Review Point is editorial analysis, not part of the Court's judgment.

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