

M/s Meera and Company, Ludhiana Etc. v. Commissioner of Income Tax, Punjab, J&K and Chandigarh, Patiala

Civil Appeal Nos. 1297–1301 of 1980 / Civil Appeal Nos. 1664–1666 of 1986 / Civil Appeal Nos. 4365–4369 of 1985 / Civil Appeal No. 1694 of 1995 (expressly delinked; no merits disposal here)

[1997] 2 SCR 991 | 1997-03-11

Whether an inherited business continued jointly for a widow and minor children was taxable as one body of individuals rather than separately dividing its business income among the heirs.

2(31)(v) | 4 | 160 | 161 | 166 | 64(1)(i) and (iii) (delinked appeal only; not decided)

Three-judge bench | B.P. Jeevan Reddy, J. | Suhas C. Sen, J. | G.T. Nanavati, J.

Assessment years: 1963-64 (lead group), 1964-65 (lead group), 1965-66 (lead group), 1966-67 (lead group), 1967-68 (lead group)

Continuing joint business; one appeal expressly delinked

The five lead appeals concerning the continuing joint business and eight companions applying that ruling were dismissed without costs; CA 1694/1995 was delinked and its section 64 question was not decided. This is not automatic aggregation of every inheritance or co-owned receipt. Later section 2(31) wording and the 1 April 1985 commencement of quoted section 161(1A) require version-specific care; no rate or current-law certification follows. Source chronology defects and unverified comprehensive later treatment remain explicit.

01 FACTS OF THE CASE

Prem Narain carried on a sole-proprietary business as Meera and Co. He died intestate in August 1962, leaving his mother, widow and three minor children. The mother relinquished her interest for a lump-sum payment. The widow continued the business as one unit for herself and the children as their guardian; common accounts were maintained and annual profits divided (physical pages 3–4).

Returns for AYs 1963-64 to 1967-68 initially described an association of persons. The widow later sought individual assessment of the four heirs' equal shares. The ITO assessed a body of individuals; the Appellate Assistant Commissioner instead treated the whole income as hers. The Tribunal majority and High Court upheld entity-level assessment, rejecting the argument that representative-assessment provisions compelled separate treatment (physical pages 4–6).

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

02 DISCUSSION BY THE HON'BLE COURT

The Court distinguished mere joint receipt from organised business activity. These heirs continued an operating enterprise together after acquiring the deceased proprietor's mother's interest; they did not simply receive passive co-owned dividends or rent. The fact that they inherited rather than originally established the business did not prevent assessment of the resulting joint business as a body of individuals. Minority likewise did not prevent participation through a lawful guardian (physical pages 7–17).

Sections 160, 161 and 166 supplied machinery for representative assessment and recovery; they did not displace the section 4 charge on the actual income-producing body. The mother could not insist on splitting the joint venture's income merely because she also acted as guardian. The Court examined the statutory definition of person and earlier association cases to explain its conclusion. It did not prescribe a general rate or reclassify every set of heirs or co-owners (physical pages 14–20).

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

03 JUDICIAL DECISION

The five lead appeals were dismissed without costs. Eight companions, CA 1664–1666/1986 and CA 4365–4369/1985, were likewise dismissed without costs by applying the main judgment; their separate facts and years are not supplied. CA 1694/1995, concerning a different alleged sub-partnership and section 64 question, was expressly delinked and was not dismissed on the merits in this judgment (physical pages 20–21).

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

04 OUTCOME / IN WHOSE FAVOUR

In whose favour: Revenue in the thirteen disposed appeals; no merits winner in the delinked appeal

Thirteen appeals dismissed without costs; CA 1694/1995 delinked

Final entity-assessment ruling for the continuing joint business and applying companions; separate section 64 controversy excluded

No automatic body-of-individuals assessment for all co-heirs, no tax-rate determination and no decision on the delinked sub-partnership or clubbing questions.

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

05 AKHB REVIEW POINT

Identify the activity that generates the income, its common resources and the guardian's role, rather than treating inheritance alone as the decisive classification. Organised continuation of one business was important here; the judgment distinguished passive joint receipt. Representative machinery cannot be used to ignore the entity that earned the income on the facts found.

Two later statutory boundaries matter. The checked 2011 compilation records the section 2(31) Explanation inserted from 1 April 2002, under which the specified body is a person whether or not formed with an income-producing object. Therefore the older discussion of purpose should not be lifted into every later case as a complete statutory test. The judgment also quotes section 161(1A), while the checked statutory annotation records its insertion by the Finance Act, 1984 with effect from 1 April 1985. That later business-trust rule is not the basis for imposing a maximum-marginal-rate assessment on the lead 1963–68 years in this note.

Read the ending by appeal group: the reporter's general dismissal line cannot dispose of the expressly delinked CA 1694/1995. Its individual-assessment years and section 64 arguments are background to the delinking direction, not extra merits holdings or years decided here. Current law, rates and comprehensive later treatment remain unverified.

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

PROPOSITION-SPECIFIC SOURCE PARAGRAPHS AND PDF PAGES

1.

Topic: Identity, lead years, inherited business and assessment history

Source url: [Open cited source](#)

Pdf pages: 1; 3; 4; 5; 6

Paragraphs: Unnumbered judicial text

Source role: reported metadata and judicial text

2.

Topic: Joint activity distinguished from passive co-receipt

Source url: [Open cited source](#)

Pdf pages: 7; 8; 9; 10; 11; 12; 13

Paragraphs: Unnumbered judicial text

Source role: judicial text

3.

Topic: Person definition and application to this business

Source url: [Open cited source](#)

Pdf pages: 14; 15; 16; 17

Paragraphs: Unnumbered judicial text

Source role: judicial text

4.

Topic: Representative assessment machinery and principal result

Source url: [Open cited source](#)

Pdf pages: 17; 18; 19; 20

Paragraphs: Unnumbered judicial text

Source role: judicial text

5.

Topic: Eight applying companions and expressly delinked appeal

Source url: [Open cited source](#)

Pdf pages: 20; 21

Paragraphs: Unnumbered judicial text

Source role: judicial text

6.

Topic: Later explanation and subsection commencement boundaries

Source url: [Open cited source](#)

Pdf pages: 63; 760

Paragraphs: Section 2(31) Explanation/footnote 67; section 161(1A)/footnote 87

Source role: bounded historical statutory text

JUDICIAL AUTHORSHIP AND SEPARATE OPINIONS

Suhas C. Sen, J.

ACT IDENTIFIED IN THE REVIEWED SOURCE

Income-tax Act, 1961

SOURCE & VERIFICATION

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

Identified source rendition: 21 PDF pages; SHA-256

9106d74fea3beed6686f87e79f60d72153dfd7c294be7793f6cf89438fc86525. Original bytes preserved.

Complete judicial text physical pages 3–21/SCR 993–1011; thirteen appeals dismissed, one separately delinked. Main years distinguished from unelaborated companions.

[Open cited source rendition](#)

The main group is five appeals, the two applying groups total eight, and CA 1694/1995 is delinked. The general editorial Appeals dismissed footer does not override that express separation.; The lead assessment years are 1963-64 through 1967-68. The eight companion appeals have no separately stated years; the 1964-65/1965-66 individual-assessment references belong to the delinked A.N.Agarwal matter.; The source alternates children and sons; the material fact is three minor children acting through their mother. No unnecessary inference about each child's identity is made.; The historical discussion says a Gift-tax Act use preceded 1961 but prints commencement as 1 April 1987 on page 15. This internal chronology anomaly is not silently corrected or used as an operative date.; The reproduced section 161 includes subsection (1A), inserted by the Finance Act, 1984 with effect from 1 April 1985 according to the checked compilation; its appearance is not treated as retrospective application to the lead years.; The note distinguishes a continuing joint enterprise from passive co-ownership. It does not declare every AOP/BOI label interchangeable for every statutory purpose or rate.

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. Comprehensive subsequent judicial and statutory treatment has not been verified. Only the expressly identified bounded comparisons have been checked. No current-law or Income-tax Act, 2025 mapping is certified.

IDENTIFIED SOURCE LINKS

[reported judgment - PDF pages: 21](#)

SHA-256: 9106d74fea3beed6686f87e79f60d72153dfd7c294be7793f6cf89438fc86525

[official department hosted historical statutory compilation - PDF pages: 1251](#)

SHA-256: 1ec6e4c38dc1d524d1d40b1fd35d13ac1336c8fc549cef2af1bf723a999c822b

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.

PROFESSIONAL DISCLAIMER

General research information only; not legal or tax advice, a certified judgment or a substitute for the full order. Applicability depends on facts, assessment year, statutory version and jurisdiction. Subsequent treatment is unverified unless identified sources are expressly stated. Downloading does not create a professional engagement. Obtain case-specific advice before reliance.