

Commissioner of Income Tax, Bihar v. Bankipur Club Ltd.

Civil Appeal Nos. 854-858 of 1994 (jurisdiction block; inconsistent years in body) and connected proceedings (full list below)

[1997] Supp. 1 SCR 263 | 1997-05-08

Whether the member-facility receipts and surpluses in the 16 appeals concerning Bankipur, Ranchi, Cricket Club of India and Northern India Motion Pictures Association were income taxable notwithstanding their mutual arrangements.

22

Two-judge bench | K.S. Paripoornan, J. | S. Saghir Ahmad, J.

Assessment years: 1960-61, 1961-62, 1962-63, 1963-64, 1964-65, 1974-75, 1975-76, 1976-77, 1977-78, 1978-79, 1982-83, 1985-86, 1987-88, 1989-90

Sixteen appeals decided; seven bank-interest appeals left open

Bankipur decided only Groups A-D. The seven Cawnpore appeals, including FDR/NSC interest issues, were delinked for separate hearing. Do not treat this judgment as a bank-interest exemption or a rule covering every receipt of a club. Historical statutory versions and later law require separate checking.

[paragraphs Unnumbered Bankipur/Cricket Club discussion and annual-value conclusion / PDF pages 6, 7 / judicial text; paragraphs 20, 23 and 32-34 / PDF pages 19, 21, 22, 27, 28 / judicial text](#)

01 FACTS OF THE CASE

Twenty-three cases were initially listed together. Seven Cawnpore Club appeals raised materially different questions and were delinked. The remaining 16 Revenue appeals concerned non-profit member organisations: Bankipur's bar sales to regular members; Ranchi's accommodation and liquor receipts from members and their guests; Cricket Club of India's member accommodation and annual values; and Northern India Motion Pictures Association's admission/readmission fees and subscriptions. Non-member-facility income was not disputed. The association's separately charged specific services had always been offered to tax under section 28(iii), and that treatment was also outside the dispute (paragraphs 2-5 and 9-13).

Source: [reported judgment / paragraphs 2-5 and 9-13 / PDF pages 3, 4, 8, 9, 10, 11, 12, 13, 14 / judicial text](#)

02 DISCUSSION BY THE HON'BLE COURT

The governing distinction is between a trading operation producing profit and a mutual arrangement producing only surplus contributions. There must be identity between the class of contributors and the class entitled to participate, but neither exact matching of individual contributions and benefits nor immediate cash distribution is necessary. Incorporation and the association's label are not decisive; control over disposal of surplus may be retained even where winding-up provisions permit transfer to a similar association or charity (paragraphs 6-8 and 12).

The Court examined the separate factual findings for each group. Bankipur's disputed regular-member bar receipts arose from club privileges without profit motive. Ranchi's taxable dealings with non-members did not itself eliminate the separate mutual character of its dealings with members; the latter included members' guests within the facilities found by the courts below. Cricket Club's accommodation and property facilities were for members, not strangers. Northern India Motion Pictures Association's subscription/admission category was distinct from the taxable specific-service category (paragraphs 9-12).

On the accepted findings, receipts for refreshments, accommodation, admission and subscription represented charges for ordinary member privileges and conveniences, without commercial profit motive. The resulting excess over expenditure was not income. But the Court retained the distinction for a single commercial business which supplies the same facilities to members and non-members for the same consideration: its activities may be commercially tainted as a whole. Where mutuality ends and trading begins depends substantially on the facts (paragraphs 14-15).

The Cawnpore group was not decided. Its property-letting and FDR/NSC interest issues appeared to concern the appropriate head of income, while the broader mutuality exemption had not apparently been decided in the assessee's favour below. No argument had been advanced on those different questions, so the cases were directed to be listed separately before an appropriate Bench (paragraphs 2-4 and 13).

Source: [reported judgment / paragraphs 5-16 / PDF pages 4, 5, 6, 7, 8, 9, 10, 11, 12, 13, 14, 15, 16 / judicial text](#)

03 JUDICIAL DECISION

The 16 Revenue appeals in Groups A-D were dismissed with costs, including advocates' fees estimated at Rs. 5,000 in each appeal. The seven Cawnpore appeals in Group E were delinked for separate hearing and disposal; there was no merits decision or remand in that group (paragraphs 13 and 16).

Source: [reported judgment / paragraphs 13 and 16 / PDF pages 14, 16 / judicial text](#)

04 OUTCOME / IN WHOSE FAVOUR

In whose favour: Assessee in Groups A-D; no merits determination for Group E

Sixteen Revenue appeals dismissed with costs; seven Cawnpore appeals delinked for separate hearing

Final mutuality determination for Groups A-D only

Non-member receipts and section 28(iii) specific-service receipts were outside the dispute. Cawnpore property/FDR/NSC questions remained undecided in this judgment.

Source: [reported judgment / paragraphs 13 and 16 / PDF pages 14, 16 / judicial text](#)

05 AKHB REVIEW POINT

Keep the mutual and commercial receipt streams separate and examine the rights of the contributor class, including control over the common fund. Neither a non-profit company label nor the mere existence of a surplus answers the question. The status of guests, temporary members and outsiders must be tied to the actual constitution and factual findings; this judgment does not deem every guest or temporary member a contributor.

Do not cite Bankipur as deciding the seven Cawnpore bank-interest appeals: they were left for separate hearing. The later Chelmsford judgment expressly used Bankipur's member-property analysis to protect the annual value of its mutual club house. Bangalore Club later applied Bankipur's commerciality distinction to deny mutuality for member-bank interest while preserving the distinction for the original club surplus. These are bounded comparisons of the texts read, not a comprehensive history of subsequent treatment.

Source: [reported judgment / paragraphs 7-16 / PDF pages 7, 8, 9, 10, 11, 12, 13, 14, 15, 16 / judicial text](#); [official legacy judgment / paragraphs Unnumbered discussion of Bankipur and Cricket Club property; annual value conclusion / PDF pages 6, 7 / judicial text](#); [reported judgment / paragraphs 20, 23 and 32-34 / PDF pages 19, 21, 22, 27, 28 / judicial text](#)

APPEAL AND PROCEEDING NUMBERS

Civil Appeal Nos. 854-858 of 1994 (jurisdiction block; inconsistent years in body) / Civil Appeal Nos. 505 and 3974 of 1992 / Civil Appeal Nos. 3382 of 1997 and 10194 of 1995 / Civil Appeal Nos. 1635, 1648-1649 and 2380-2382 of 1994 / Civil Appeal No. 3383 of 1997

DETAILED DISPOSITION AND CONNECTED GROUPS

Issue results

1.

Issue: Groups A-D member receipts and surpluses

Result: Mutual, non-commercial receipts were not taxable income on the accepted findings; Revenue appeals dismissed

In whose favour: Assessee

Pinpoints

1.

Source url: [Open cited source](#)

PDF pages: 15; 16

Paragraphs: 14-16

Source role: judicial text

2.

Issue: Group C member accommodation and property annual values

Result: Mutuality applied to the member-only arrangements; no interference with refusal to refer the Revenue's question

In whose favour: Cricket Club of India

Pinpoints

1.

Source url: [Open cited source](#)

Pdf pages: 11

Paragraphs: 11

Source role: judicial text

2.

Source url: [Open cited source](#)

Pdf pages: 15; 16

Paragraphs: 14-16

Source role: judicial text

3.

Issue: Group D separately charged specific services

Result: Offered and assessed under section 28(iii); expressly no dispute

In whose favour: Not separately decided

Pinpoints

1.

Source url: [Open cited source](#)

Pdf pages: 12

Paragraphs: 12, SCR 274 D-E

Source role: judicial text

4.

Issue: Group E Cawnpore Club property and FDR/NSC interest

Result: Seven appeals delinked for separate hearing; no substantive exemption or head-of-income ruling

In whose favour: Undecided

Pinpoints

1.

Source url: [Open cited source](#)

Pdf pages: 4; 14

Paragraphs: 2-4 and 13

Source role: judicial text

ADDITIONAL STATUTORY CONTEXT, NOT SEPARATE HOLDINGS

23; 24; 25; 26; 28(i); 28(iii); 256(1); 256(2)

JUDICIAL AUTHORSHIP AND SEPARATE OPINIONS

K.S. Paripoornan, J.

ASSESSMENT-YEAR GROUPS

1.

Group: A — Bankipur Club

Years: 1960-61; 1961-62; 1962-63; 1963-64; 1964-65

2.

Group: B — Ranchi Club

Years: 1977-78

Limit: Stated factual year; separate year for companion appeal not identified.

3.

Group: C — Cricket Club of India

Years: 1977-78; 1978-79

4.

Group: D — Northern India Motion Pictures Association

Years: 1974-75; 1975-76; 1976-77; 1982-83; 1985-86; 1987-88; 1989-90

ACT IDENTIFIED IN THE REVIEWED SOURCE

Income-tax Act, 1961

VERIFIED RELATIONSHIPS BETWEEN SPECIFIED JUDGMENTS

1.

Earlier case id: sc-1997-05-08-bankipur-club

Later case id: sc-2000-03-02-chelmsford-club

Relationship: member property mutuality analysis followed

Evidence

1.

Source url: [Open cited source](#)

Pdf pages: 6; 7

Paragraphs: Unnumbered Bankipur/Cricket Club discussion and annual-value conclusion

Source role: judicial text

Scope limit: The later case concerns the annual value of its member-use club house, not bank interest.

2.

Earlier case id: sc-1997-05-08-bankipur-club

Later case id: sc-2013-01-14-bangalore-club-income-tax

Relationship: commerciality distinction applied to different member bank interest receipt

Evidence

1.

Source url: [Open cited source](#)

Pdf pages: 19; 21; 22; 27; 28

Paragraphs: 20, 23 and 32-34

Source role: judicial text

Scope limit: Bangalore distinguishes mutual facility surplus from interest earned by depositing that surplus with banks.

APPEALS DELINKED AND LEFT UNDECIDED

Civil Appeal Nos. 4777-4778 of 1989; Civil Appeal No. 4534 of 1991; Civil Appeal No. 8045 of 1995; Civil Appeal No. 1773 (NT) of 1992; Civil Appeal No. 4303 of 1995; Civil Appeal No. 3840 of 1996

SOURCE & VERIFICATION

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

Identified source rendition: 16 PDF pages; SHA-256

a405b9272190cebf44084448ce812e6f1e7af608e35325d139b36d5f9120471. Original bytes preserved.

Judicial text begins with the author and special-leave grant on physical page 3 (SCR 265) and ends with paragraph 16 on physical page 16 (SCR 278). Pages 1-2 and the upper part of page 3 are editorial headnote/reference material.

[Open cited source rendition](#)

Paragraph 9 gives Group A as 1960-61 to 1964-65; paragraph 10 identifies 1977-78 for Ranchi's stated facts without allocating a separate year to its companion appeal; paragraph 11 gives Group C as 1977-78 and 1978-79. Paragraph 12's Group-D table gives 1987-88, 1982-83, 1985-86, 1974-75 to 1976-77 and 1989-90. Years merely appearing in earlier-case history are not independently assigned. No assessment years are supplied for the delinked Cawnpore group. Early lead years precede the 1961 Act's commencement, so the common judgment is not a basis for retroactively applying a 1961 provision to them.

The source jurisdiction block prints 854-858 of 1994; paragraph 3 prints 854-858/86, while paragraph 9 prints 854-858/84. This source conflict is not silently repaired. The adjudicated case_numbers list covers Groups A-D; the seven Group-E appeal numbers are separately recorded as delinked proceedings.

The Group-C question concerns property income under sections 22-26 collectively; no separate computation rule in sections 23-26 is construed. Section 28(i) is the editorial classification, while section 28(iii) concerns specific-service receipts expressly outside the dispute. Sections 256(1) and 256(2) describe reference procedure. The historic pre-1961 lead assessment years require separate statutory-version care.

The source prints conflicting years for the Bankipur appeal numbers: 1994 in the jurisdiction block, 1986 in paragraph 3 and 1984 in paragraph 9. The conflict remains disclosed.; The headnote compresses assessment-year ranges. The note uses the precise judicial group descriptions and paragraph 12 table, not an inferred uninterrupted 1985-86 to 1989-90 range.; Only Groups A-D were dismissed. Group E was delinked, not remanded, allowed or decided on mutuality.; References to temporary members and guests are factual descriptions of particular clubs. No blanket holding on every membership class is extracted.; Some lead assessment years precede the commencement of the Income-tax Act, 1961; the common judgment does not supply a statutory-version mapping for each year.; Reported editorial headnotes and the High Court headnotes quoted within the judgment remain attributed; the Supreme Court's own conclusion is in paragraphs 14-16.

STATUTORY SCOPE

Historical assessment-year and statutory settings only. No automatic mapping to the Income-tax Act, 2025 and no present-law certification.

LATER TREATMENT

Source checked 2026-10-04. Bounded comparisons with Chelmsford Club (official physical pages 6-7) and Bangalore Club (paragraphs 20, 23 and 32-34) verified from the actual judicial passages. No comprehensive subsequent-treatment audit.

IDENTIFIED SOURCE LINKS

[reported judgment - PDF pages: 16](#)

SHA-256: a405b9272190cebf44084448ce812e6f1e7af608e35325d139b36d5f9120471

[official legacy judgment - PDF pages: 7](#)

SHA-256: c6f726e005db7b91d6a1e41939107ab05b32d3777ec86c50789e9c5485677536

[reported judgment - PDF pages: 28](#)

SHA-256: 6264508ec802262d6ceb34e3ab2d05993110d2f7334165d2b9ca63343ad4eb7e

[Related note: M/s. Chelmsford Club v. Commissioner of Income-Tax, Delhi](#)

[Related note: M/s Bangalore Club v. Commissioner of Income Tax & Anr.](#)

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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