

M/s. Chelmsford Club v. Commissioner of Income-Tax, Delhi

Not stated in the reviewed source

(2000) 3 SCC 214 | 2000-03-02

Whether section 22 taxes property itself or income from property, and whether the annual letting value of a club house used in an otherwise mutual members' club is outside income-tax on the principle of mutuality.

2(24) | 4 | 14 | 22 | 23

Two-judge bench | D.P. Wadhwa, J. | N. Santosh Hegde, J.

Assessment years: 1977-78, 1978-79

Member-use club-house income; no blanket club exemption

The holding depends on the admitted mutual member-use facts and historical assessment years. It does not decide bank-interest, outsider-letting or wealth-tax liability. Later judicial treatment and present statutory applicability require separate verification.

[paragraphs 19-20 / PDF pages 19 / judicial text](#); [paragraphs 25-34 / PDF pages 23, 24, 25, 26, 27, 28 / judicial text](#)

01 FACTS OF THE CASE

Chelmsford Club, incorporated under the Companies Act, provided recreational and refreshment facilities exclusively for members and their guests. Its facilities were not available to outsiders. Members met the expenses; any surplus was used for maintenance and development rather than profit distribution. The club owned and used the club house for those facilities. For assessment years 1977-78 and 1978-79 the Tribunal treated its annual letting value as outside tax under mutuality, but the Delhi High Court answered the referred questions for Revenue, relying on section 22, Wheeler Club and observations in Delhi Gymkhana. The club appealed (official pages 1-2).

Source: [official legacy judgment / paragraphs Opening questions, proceedings and undisputed club facts / PDF pages 1, 2 / judicial text](#)

02 DISCUSSION BY THE HON'BLE COURT

The Court rejected the proposition that section 22 is a tax on property as such. Income-tax is levied on income, and the statutory computation may include deemed income from self-use of property. Entry 82 of List I, the charging provision in section 4, and sections 2(24), 14, 22 and 23 supported that conclusion. Bhagwan Dass Jain had already explained the distinction. Wheeler Club's contrary treatment of the nature of the levy was not good law (official pages 2-4).

The Court then tested mutuality against the admitted facts, rather than assuming it from incorporation or the club label. It applied identity of contributors and recipients, the entity's obedience to their mandate, and the impossibility of contributors earning a profit from their own fund which could only be expended on or returned to themselves. The Royal Western India Turf Club reasoning distinguished returns received as shareholders from the application of common funds for persons as contributors. Its commercial dealings with outsiders were unlike Chelmsford's member-use arrangement (official pages 4-6).

All three conditions were satisfied. The Court also relied on Bankipur, particularly the Cricket Club of India's accommodation and annual-value treatment. Mutuality covered both the members' activity surplus and the deemed annual value of this club house. Wheeler Club was rejected to that extent as well. The Delhi Gymkhana passage relied on below was a hypothesis, not a governing legal rule, and its inconsistent conclusion could not assist Revenue (official pages 6-7).

Source: [official legacy judgment / paragraphs Unnumbered section 22 and mutuality discussion / PDF pages 2, 3, 4, 5, 6, 7 / judicial text](#)

03 JUDICIAL DECISION

The club's appeals were allowed, the High Court judgment was set aside, and both reference questions were answered affirmatively for the assessee. Its club-house annual value was not assessable as income from property on the stated mutuality facts. The parties were directed to bear their own costs (official page 7).

Source: [official legacy judgment / paragraphs Final paragraph and preceding annual-value holding / PDF pages 7 / judicial text](#)

04 OUTCOME / IN WHOSE FAVOUR

In whose favour: Assessee

Appeals allowed; High Court judgment set aside; both referred questions answered affirmatively for the club; own costs

Final mutuality determination for the club-house annual letting value in the stated assessment years

The member-use, non-commercial facts were admitted. Bank-deposit interest, outsider lettings and wealth-tax liability were not the questions decided.

Source: [official legacy judgment / paragraphs Final paragraph / PDF pages 7 / judicial text](#)

05 AKHB REVIEW POINT

Apply this decision to the source and use of the particular property income. It is not a general exemption for all property owned by an incorporated club. The non-commercial member-use facts, contributor/recipient identity, and application of the common fund are indispensable. The judgment's recognition of deemed income explains why mutuality can reach the club-house annual value; it does not equate income-tax with wealth-tax.

Bangalore Club later cited Chelmsford's mutual member-facility arrangement when explaining the mandate requirement, but rejected mutuality for a separate banking transaction. That bounded comparison prevents extension of the club-house holding to bank interest without the receipt-specific analysis.

Source: [official legacy judgment / paragraphs Undisputed member-use facts, mutuality criteria and club-house holding / PDF pages 2, 4, 5, 6, 7 / judicial text](#); [reported judgment / paragraphs 19 and 25-34 / PDF pages 19, 23, 24, 25, 26, 27, 28 / judicial text](#)

DETAILED DISPOSITION AND CONNECTED GROUPS

Issue results

1.

Issue: Nature of section 22 levy

Result: A levy on income, including deemed income from property, not on the property itself

In whose favour: Assessee on Revenue's contrary contention

Pinpoints

1.

Source url: [Open cited source](#)

Pdf pages: 3; 4

Paragraphs: Unnumbered section 22 discussion; Entry 82; sections 4, 2(24), 14, 22 and 23; Bhagwan Dass Jain

Source role: judicial text

2.

Issue: Club-house annual value and mutuality

Result: Covered by mutuality on the admitted facts; Tribunal's conclusions sustained

In whose favour: Assessee

Pinpoints

1.

Source url: [Open cited source](#)

Pdf pages: 6; 7

Paragraphs: Unnumbered three criteria, Bankipur comparison and final operative order

Source role: judicial text

ADDITIONAL STATUTORY CONTEXT, NOT SEPARATE HOLDINGS

2(24)(vii); 24; 25; 26; 256(2)

JUDICIAL AUTHORSHIP AND SEPARATE OPINIONS

Santosh Hegde, J.

ACT IDENTIFIED IN THE REVIEWED SOURCE

Income-tax Act, 1961

CONSTITUTIONAL PROVISIONS CONSIDERED

Seventh Schedule, List I, Entry 82; Seventh Schedule, List II, Entry 49 (in quoted Bhagwan Dass Jain reasoning)

VERIFIED RELATIONSHIPS BETWEEN SPECIFIED JUDGMENTS

1.

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

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

Relationship: member facility mutuality cited when explaining mandate condition bank interest distinguished

Evidence

1.

Source url: [Open cited source](#)

Pdf pages: 19

Paragraphs: 19-20

Source role: judicial text

2.

Source url: [Open cited source](#)

Pdf pages: 23; 24; 25; 26; 27; 28

Paragraphs: 25-34

Source role: judicial text

Scope limit: This is a bounded later comparison, not a finding that every later authority has been checked.

SOURCE & VERIFICATION

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

Identified source rendition: 7 PDF pages; SHA-256

c6f726e005db7b91d6a1e41939107ab05b32d3777ec86c50789e9c5485677536. Original bytes preserved.

Complete official JUDIS legacy rendition: identity block and unnumbered judicial text on physical pages 1-7. No editorial headnote, adjacent case or signed-original claim.

[Open cited source rendition](#)

The SCC citation is verified as the citation supplied in Bangalore Club's judicial text, paragraph 5, footnote 2 (physical page 10). The official JUDIS rendition itself does not print a reporter citation.

Both years appear in the opening reference questions on official physical page 1.

The official seven-page JUDIS legacy rendition does not print the civil-appeal numbers. No number is inferred from cited proceedings or unverified secondary references.

Sections 4, 2(24), 14, 22 and 23 are read together to identify section 22's levy as income, including deemed income, rather than a property tax. Section 2(24)(vii) is the expressly inapplicable statutory exception in the mutuality discussion. Sections 22-26 and 256(2) also occur in the quoted Bankipur/Cricket Club procedural history; no independent rule under sections 24-26 is decided.

Official source is a JUDIS legacy rendition, not a signed scan; the preserved file is unchanged and no cryptographic signature verification is claimed.; The official source has unnumbered judicial paragraphs. Pinpoints use physical page numbers and descriptive passage labels; numbered paragraphs from secondary renditions are not imported.; The source omits the case numbers and reporter citation. The SCC citation is supported by the later Supreme Court judgment expressly identified; unverified appeal numbers remain outside the primary case-number field.; The source's references to section 9, section 3 and section 2(15) concern the 1922 Act or quoted authorities, not provisions of the 1961 Act.; Questions and relief relate to the annual letting value of the club house used in the mutual arrangement, not interest on bank deposits or general tax immunity for club assets.

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. Bangalore Club's explicit Chelmsford reference in paragraph 19 and the distinct bank-interest analysis in paragraphs 25-34 were read. No comprehensive subsequent-treatment or current-law audit.

IDENTIFIED SOURCE LINKS

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

SHA-256: c6f726e005db7b91d6a1e41939107ab05b32d3777ec86c50789e9c5485677536

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

SHA-256: a405b9272190cebfc44084448ce812e6f1e7af608e35325d139b36d5f9120471

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

SHA-256: 6264508ec802262d6ceb34e3ab2d05993110d2f7334165d2b9ca63343ad4eb7e

[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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