

Secundrabad Club etc. v. C.I.T.-V etc.

Civil Appeal Nos. 5195-5201 of 2012 and connected proceedings (full list below)

2023 INSC 736; [2023] 12 SCR 979 | 2023-08-17

Whether clubs can exclude interest on surplus funds placed in bank fixed deposits under mutuality, including where the bank is a corporate member; and whether Bangalore Club requires reconsideration because it did not refer to the earlier short Cawnpore Club order.

2(24)

Two-judge bench | B.V. Nagarathna, J. | Prashant Kumar Mishra, J.

Assessment years: See the source-scope notes; no year inferred.

01 FACTS OF THE CASE

The connected assessee-club appeals arose from Andhra Pradesh and Madras High Court decisions concerning Secunderabad Club, Madras Gymkhana Club, Madras Cricket Club, Coimbatore Cosmopolitan Club, Madras Club, Wellington Gymkhana Club and Coonoor Club. The High Courts had held that interest on their bank deposits was taxable and not protected by mutuality. A common judgment addressed that issue; it did not give a separate year-wise computation for every club (paragraphs 1-5).

The clubs argued that deposits represented members' surplus contributions, were a prudent way to hold the money and generated interest ultimately used only for members. They relied on Cawnpore Club, Canara Bank and mutuality authorities, and sought a larger-Bench reconsideration of Bangalore Club. Some submissions specifically concerned banks that were themselves corporate members. Revenue answered that the deposit created an ordinary bank-customer relationship and exposed the funds to commercial lending outside the mutual circle (paragraphs 6.1-6.22). These rival positions are distinct from the Court's findings.

Source: [reported judgment / paragraphs Opening; 2-5 / PDF pages 7, 8 / judgment](#); [reported judgment / paragraphs 6.1-6.22 / PDF pages 19, 20, 21, 22, 23, 24, 25, 26, 27, 28 / judgment recording submissions](#)

02 DISCUSSION BY THE HON'BLE COURT

The Court examined two connected questions: the precedent objection to Bangalore Club and the substantive mutuality analysis (paragraphs 7-9). Mutuality reflects the absence of profit from dealing with oneself. A members' common fund is not taxable merely because contributions leave a surplus, but the governing tests require complete identity between contributors and participators, action in furtherance of the association's mandate, and no scope for profit from contributions to a fund that can only be expended or returned to those contributors. Incorporation or the label club does not itself determine the result (paragraphs 8.1-8.9 and 31).

The earlier trilogy had to be read accurately. Bankipur Club decided the member-activity groups and separated the Cawnpore group, including questions about property and investment interest. Cawnpore Club's short order of 5 February 1998 recorded that the unappealed rooms-to-members finding had become final, and then closed the other questions without identifying and reasoning through the larger bank-interest question. It bound those parties but did not declare an Article 141 rule exempting all deposit interest. Bangalore Club later decided that larger question with reasons. Its failure to cite the Cawnpore order therefore did not make it per incuriam or require a reference (paragraphs 5 and 10-12; 24-27).

The judgment distinguishes the binding outcome between parties from the legal principle that operates as precedent. A ratio must be identified from the facts, issue and reasoning of the whole decision; neither a bare disposal nor an implication attributed to unaddressed questions supplies a new rule. The clubs' merger argument could not create a reasoned bank-interest holding where none had been declared. The Court's discussion of ratio, observations and Article 141 serves that contextual task rather than authorising every sentence of a judgment to be treated like statutory text (paragraphs 13-24).

Canara Bank Golden Jubilee Staff Welfare Fund was confined to its particular facts. The earlier Karnataka High Court Bangalore Club ruling had not been brought to the Bench deciding Canara Bank, and dismissal of the SLP against Canara Bank did not turn its result into a contrary general rule. The present Court also considered Calcutta Club, which concerned club transactions in the sales-tax and service-tax setting, and Yum! Restaurants, which emphasised the integrity of the contributor-participant class. Those authorities did not require a different bank-interest outcome (paragraphs 28-29).

Applying the three conditions, the Court reaffirmed Bangalore Club. Once a club places surplus money in a fixed deposit, the bank may deploy it in its commercial dealings with third parties and pays interest as it would to another customer. That use takes the transaction outside the closed mutual fund. A bank's separate status as a corporate club member does not change its commercial capacity in accepting the deposit. The contributors and participators no longer maintain the identity required for mutuality (paragraphs 30-35).

The possibility that the principal and interest will later be spent on club members does not

02 DISCUSSION BY THE HON'BLE COURT

restore the broken identity. The mode of applying the resulting income cannot determine whether it was taxable when earned. The Court also explained that receipts from providing club assets or facilities to non-members are outside mutuality, whereas genuinely mutual member dealings must be assessed in their own setting. The working arrangement and nature of each transaction matter; the whole club is not treated as exempt or taxable merely by its name (paragraphs 33-38).

The Court found the Bangalore Club reasoning correct and consistent with the authorities it surveyed, and applied the restraint on reopening settled doctrine discussed in Keshav Mills. It declined reconsideration on either the alleged Cawnpore conflict or the substantive objections (paragraphs 39-42).

Source: [reported judgment / paragraphs 5: earlier trilogy / PDF pages 9, 10, 11, 12, 13, 14, 15, 16, 17, 18, 19 / judgment quoting prior decisions; reported judgment / paragraphs 8.1-8.9.11 / PDF pages 28, 29, 30, 31, 32, 33, 34, 35, 36, 37 / judgment; reported judgment / paragraphs 10-12 / PDF pages 37, 38, 39, 40 / judgment; reported judgment / paragraphs 13-24 / PDF pages 40, 41, 42, 43, 44 / judgment; reported judgment / paragraphs 25-29 / PDF pages 44, 45, 46, 47, 48, 49 / judgment; reported judgment / paragraphs 30-38 / PDF pages 49, 50, 51, 52 / judgment; reported judgment / paragraphs 39-42 / PDF pages 53, 54 / judgment](#)

03 JUDICIAL DECISION

The Court held that mutuality does not protect interest earned by the appellant clubs on bank fixed deposits, irrespective of whether the banks are corporate club members. The interest falls to be treated as income from other sources within the income definition referred to in section 2(24). It held that Cawnpore Club supplied no binding precedent on this unresolved larger question, that Bangalore Club was not per incuriam and required no reconsideration, and that Canara Bank was confined to its facts. It also stated that club income from non-members through its assets and resources is outside mutuality (paragraph 43(i)-(vii)).

All the appeals were dismissed. The parties were to bear their respective costs, and pending applications were disposed of. There was no remand, fresh quantified assessment or separate tax-rate determination.

Source: [reported judgment / paragraphs 43 and terminal disposition / PDF pages 54, 55 / judgment; official signed judgment / paragraphs 43 and terminal disposition / PDF pages 72, 73, 74 / judgment](#)

04 OUTCOME / IN WHOSE FAVOUR

In whose favour: Revenue on taxation of the appellant clubs' bank-deposit interest

Assessee appeals dismissed; request to reconsider Bangalore Club rejected; parties to bear their own costs; pending applications disposed of

Common mutuality and bank-interest issue decided on merits

The result concerns the commercial deposit-interest transactions. It does not withdraw mutuality from every genuine member transaction or decide a complete year-wise tax computation for each appellant.

Source: [official signed judgment / paragraphs 43 and terminal disposition / PDF pages 72, 73, 74 / judgment](#)

05 AKHB REVIEW POINT

Separate each income stream before making a mutuality claim. Map who contributes, who participates, the capacity in which each person deals and whether funds enter an external commercial transaction. A bank's membership certificate does not convert its fixed-deposit obligation into a contribution to a mutual fund, and using the interest later for members does not change that source character. Preserve the club's rules, membership and transaction records, but do not treat its non-profit objects alone as an exemption.

For authority research, distinguish a reasoned ratio from a final order that leaves questions undecided. This judgment expressly rejects the claimed Cawnpore-versus-Bangalore conflict and limits Canara Bank; describe that treatment precisely rather than simply marking every earlier case overruled. The earlier authorities are analysed here as quoted and considered by the Court, not through a separate complete citator review. Verify the relevant tax year, any separate statutory exemption, computation issues and later judicial treatment before current use; there is no automatic Income-tax Act, 2025 carryover.

Source: [reported judgment / paragraphs 24-28; 31-38; 43 / PDF pages 43, 44, 45, 46, 49, 50, 51, 52, 54, 55 / judgment](#)

APPEAL AND PROCEEDING NUMBERS

Civil Appeal Nos. 5195-5201 of 2012 / Civil Appeal Nos. 5233 and 5235-5237 of 2023 / Civil Appeal Nos. 5202-5209, 5210-5217, 5218-5219 and 5220-5227 of 2023 / Civil Appeal Nos. 5229, 5231, 5232, 5238-5240, 5241-5243, 5244-5246 and 5247-5249 of 2023 / Civil Appeal Nos. 5201, 5228, 5230 and 5234 of 2023 / Special Leave Petition (Civil) Nos. 16817, 16819, 16818 and 13986 of 2011

ADDITIONAL STATUTORY CONTEXT, NOT SEPARATE HOLDINGS

2(24)(vii); 14; 44; 56

PROVISION-SPECIFIC SCOPE

1.

Section: 2(24)

Role: operative income characterisation

Basis: Paragraph 43(v) treats bank-deposit interest as taxable income from other sources outside mutuality.

2.

Section: 56; 14

Role: statutory-head context in submissions

Basis: Paragraph 6.9 discusses income from other sources; no separate section 56 exception or computation issue is decided.

3.

Section: 2(24)(vii); 44

Role: insurance and mutuality comparator

Basis: Paragraph 6.9 and the discussion of Calcutta Club refer to insurance/cooperative statutory treatment. The present case is not an insurance-profit or section 44 computation decision.

JUDICIAL AUTHORSHIP AND SEPARATE OPINIONS

B.V. Nagarathna, J.

ACT IDENTIFIED IN THE REVIEWED SOURCE

Income-tax Act, 1961

CONSTITUTIONAL PROVISIONS CONSIDERED

Article 141

SOURCE & VERIFICATION

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

Identified source rendition: 74 PDF pages; SHA-256

baaa6c53027e0304a115b9d0f9febf3d0684bb2e199d42cbecc36e466b82fbb4. Original bytes preserved.

Cover and connected SLP origins on pages 1-2; one judgment begins on page 3; conclusions on pages 72-73 and disposition/signatures/date on page 74.

Official cover, connected proceedings, opening and author, selected reasoning and final conclusions/disposition checked against fully read reported judicial text; no claim of independent full rereading of every official-rendition page.

[Open cited source rendition](#)

Secundrabad is the verified cover spelling; Secunderabad appears in the body and is retained as an alias.

New 2023 civil appeal numbers are blank in the official original. The reported jurisdiction block provides numbered appeals and retains four SLP identifiers; a one-to-one conversion is not guessed.

The reproduced Cawnpore order and narrative use 5 February 1998, while one sentence in paragraph 27 prints 5 February 1988 in both renditions. The note uses the consistently identified 1998 order and discloses the variant.

Section 2(24) defines income, not income tax. Paragraph 6.9 uses the latter phrase in its submissions account; no different statutory definition is inferred.

Paragraph 8.9.11 shifts into Australian Music Traders facts after the preceding Sydney Water Board discussion. The note uses the Court's stated mutuality principles without assigning those mixed narrative facts to a new foreign-case holding.

The statement that Bangalore Club holds the field records this judgment's conclusion, not a certification of all subsequent judicial treatment.

Tax rates and years mentioned by counsel or in quoted authorities are not treated as the assessment details of all appellant clubs.

The full reported text was read, including editorial boundaries and nested quotations. Earlier full judgments were not independently re-reviewed in this note.

Neutral and SCR citations verified on the respective source covers.

The common judgment does not supply a reliable complete assessment-year list for the appellant clubs. Years within cited precedents and counsel's Fateh Maidan reference are not assigned to this batch.

The connected numbers are transcribed from the reported jurisdiction block, which retains four SLP identifiers alongside numbered appeals. The official cover leaves its new 2023 civil appeal numbers blank and instead lists originating SLPs. No unverified one-to-one conversion table or total count of distinct appeals is inferred. The 2012 and 2023 proceedings containing number 5201 are kept distinct by year.

STATUTORY SCOPE

Statutory provisions and common-law mutuality as considered in this 2023 decision. No full later tax-law audit.

Earlier decisions are discussed as treated in this judgment; subsequent treatment of this judgment and any 2025 Act mapping are unverified.

LATER TREATMENT

Source checked 2026-10-04. The judgment's express treatment of earlier Bangalore Club, Cawnpore Club and Canara Bank authorities is described as part of this decision. Subsequent treatment of this 2023 judgment, review proceedings and later law have not been comprehensively checked.

IDENTIFIED SOURCE LINKS

[official signed judgment - PDF pages: 74](#)

SHA-256: baaa6c53027e0304a115b9d0f9febf3d0684bb2e199d42cbecc36e466b82fbb4

[reported judgment - PDF pages: 55](#)

SHA-256: 3a637790614c7c1f1ca4709c503b930d94582d9f2d4e8741a0f30bf96ab00244

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