

Commissioner of Income-tax, Madras v. R. M. Chidambaram Pillai Etc.

Civil Appeals Nos. 17 to 21 of 1976 — Connected Revenue appeals; the jurisdiction block gives 1976, while the narrative divides them into C.As. 17-19 and 20-21 of 1972.

[1977] 2 SCR 111 | 1976-11-17

Under the 1922 Act, remuneration paid to partners of the tea-growing and manufacturing firms retained its character as a share of profits. Rule 24 therefore exempted the agricultural 60 per cent from Central income-tax; only 40 per cent was taxable (SCR 114-116, 120-121).

Indian Income-tax Act, 1922 | 1922 Act: 2(6B) | 1922 Act: 10(4)(b) | 1922 Act: 16(1)(b)

2-judge bench | H.R. Khanna, J. | V.R. Krishna Iyer, J.

01 FACTS OF THE CASE

The respondents were partners in two registered firms owning tea estates. Besides their ordinary profit shares, they received remuneration for services. For assessment years 1959-60 and 1960-61, the Income-tax Officer taxed the whole remuneration, departing from the earlier 40 per cent treatment. The Appellate Assistant Commissioner accepted the assessee's position; the Tribunal reversed it, relying on Mathew Abraham. The Madras High Court's Full Bench upheld the exclusion of the agricultural component. The Revenue brought the connected certificate appeals (SCR 112-113).

Source: [SCR 111-121; physical PDF pages 1-11](#)

02 DISCUSSION BY THE HON'BLE COURT

Krishna Iyer J., speaking for the two-judge Bench, treated the partnership relationship as decisive. A firm's limited recognition as an assessment unit did not make a partner its employee in the strict legal sense. Sections 10(4)(b) and 16(1)(b) treated remuneration as part of the partner's profit share; even the partner's share of a firm loss affected that computation. Rule 24 divided the composite tea income into agricultural and business components, and a different distribution label did not remove its agricultural character. The Court rejected counsel's theory that the special provisions merely prevented avoidance while leaving salary a distinct receipt. It expressly distinguished remuneration paid to a stranger who was not a partner (SCR 113-120).

Source: [SCR 111-121; physical PDF pages 1-11](#)

03 JUDICIAL DECISION

Only 40 per cent of these partners' remuneration was exigible to Central income-tax. The remaining 60 per cent shared the agricultural character of the firm's composite tea profits. The contrary reasoning in Mathew Abraham was disapproved; possible State agricultural income-tax remained a separate matter (SCR 116, 120-121).

Source: [SCR 111-121; physical PDF pages 1-11](#)

04 OUTCOME / IN WHOSE FAVOUR

Assessee The Revenue's appeals were dismissed. Both sides were directed to bear their costs throughout. The High Court's result stood, without a remand (SCR 121). Historical income-tax questions decided within the issue limits stated in this note. No current-law or comprehensive later-treatment certification.

Source: [SCR 111-121](#); [physical PDF pages 1-11](#)

05 AKHB REVIEW POINT

This is a historical 1922 Act decision on partnership remuneration and tea-income apportionment, not a current remuneration-deduction rule. Verify the applicable statutory version before using its reasoning. The supplied SCR report prints appeals 17-21 of 1976 in the jurisdiction block but 1972 in the narrative; that conflict is retained. Subsequent treatment and 1961/2025 statutory equivalence are unverified.

Source: [SCR 111-121](#); [physical PDF pages 1-11](#)

ASSESSMENT YEARS AND LIMITS

Years: 1959-60; 1960-61

Qualification: Only years material to the issues described are listed; different claims may cover different years as stated in the facts.

REPORTED CITATION

Supplied SCR report citation; no machine-generated neutral citation substituted.

STATUTORY CONTEXT

Income-tax Rules, 1922, rule 24; Indian Partnership Act, 1932, section 13

SOURCE & VERIFICATION

Original reported Supreme Court judgment

Unchanged supplied SCR report; catalog identifies a CC-BY-4.0 public eSCR mirror. Not represented as a separately fetched official signed PDF. Headnote SCR 111-112; jurisdiction/counsel and sole Krishna Iyer J. judgment begin SCR 112; reasons and disposition end SCR 121. No adjacent judgment is included.

Open cited source rendition

SCR 112 jurisdiction block prints Civil Appeals 17 to 21 of 1976; the narrative prints C.As. 17 to 19 and 20 & 21 of 1972. The jurisdiction-block identity is retained without silently repairing the inconsistent narrative.

SCR 113 describes income from other sources in terms of section 10; the note does not adopt that source phrasing as a statutory-head classification.

STATUTORY SCOPE

Indian Income-tax Act, 1922. The historical operative enactment is identified. Other enactment references are source context only unless expressly identified as operative; no 2025 mapping is asserted.

LATER TREATMENT

Source checked 2026-10-09. Subsequent appeals, review proceedings, stays, reversals and later treatment have not been comprehensively checked. This is not a citator status certificate.

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

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