

Commissioner of Income Tax (Central), Delhi, New Delhi v. Bijli Cotton Mills (P) Ltd., Hathras Distt., Aligarh

Civil Appeals Nos. 1328 and 1329 of 1973; Civil Appeal No. 2059 of 1971 — Three connected Revenue certificate appeals concerning Dharmada receipts for AYs 1951-52, 1952-53 and 1953-54; two High Court references are reported, with inconsistent numbering for the first. and connected proceedings (full list below)

[1979] 2 SCR 241 | 1978-11-07

Dharmada collections validly earmarked for charity from receipt were not the company's taxable trading income. The obligation to use them exclusively for charitable purposes was sufficiently certain, and their collection alongside goods prices did not make them part of those prices (SCR 253-256).

Indian Income-tax Act, 1922 | 1922 Act: 4(3)(i) | 1922 Act: 10(1) | 1922 Act: 66A

2-judge bench | P.N. Bhagwati, J. | V.D. Tulzapurkar, J.

01 FACTS OF THE CASE

The company collected Dharmada separately on yarn and cotton sales, credited it to a distinct ledger account, and did not take it to trading or profit-and-loss accounts. A 1945 board resolution and 1950 declaration addressed administration of the fund. For AYs 1951-52 to 1953-54 the authorities and Tribunal included the amounts in income, treating the asserted trust as uncertain and the receipts as trading receipts. The Allahabad High Court held for the company; the Revenue brought three appeals (SCR 243-246).

Source: [SCR 241-256](#); [physical PDF pages 1-16](#)

02 DISCUSSION BY THE HON'BLE COURT

Tulzapurkar J. held that the receipts' initial character and the validity of the charitable obligation had to be considered together. The High Court could not simply assume the earmarking was valid. Common usage and trading custom gave Dharmada a definite religious or charitable meaning, distinguishable from an unqualified gift to Dharma. The customers' payments thus carried the obligation from inception. Following Tollygunge Club, the purchase occasioned the payment without supplying consideration for it. Discretion over particular charities or timing, customer illiteracy, and absence of a separate bank account did not defeat the established obligation; separate ledger accounting supported the facts. Sales-tax turnover decisions were distinguished without deciding their correctness (SCR 248-256).

Source: [SCR 241-256](#); [physical PDF pages 1-16](#)

03 JUDICIAL DECISION

The collections were validly dedicated to charity and were not the assessee's chargeable income. The Court sustained the High Court's ultimate conclusion after supplying the necessary examination of the charitable obligation (SCR 256).

Source: [SCR 241-256](#); [physical PDF pages 1-16](#)

04 OUTCOME / IN WHOSE FAVOUR

Assessee All three Revenue appeals were dismissed with costs. The exclusion of the impugned collections stood; there was no remand (SCR 256). Substantive historical income-tax issue decided No current-law or comprehensive later-treatment certification.

Source: [SCR 241-256; physical PDF pages 1-16](#)

05 AKHB REVIEW POINT

Establish the obligation attached at receipt, its legally certain objects and the actual treatment of the money. A charity label alone is insufficient, and this income-tax holding does not resolve the distinct sales-tax turnover rules. Later treatment and modern statutory equivalents remain unverified.

Source: [SCR 241-256; physical PDF pages 1-16](#)

APPEAL AND PROCEEDING NUMBERS

Civil Appeals Nos. 1328 and 1329 of 1973; Civil Appeal No. 2059 of 1971 — Three connected Revenue certificate appeals concerning Dharmada receipts for AYs 1951-52, 1952-53 and 1953-54; two High Court references are reported, with inconsistent numbering for the first.

ASSESSMENT YEARS AND LIMITS

Years: 1951-52; 1952-53; 1953-54

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

Bombay Public Trust Act, 1950, section 10 explanation: background to validity of charitable gifts

SOURCE & VERIFICATIONOriginal 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 241-243; jurisdiction/counsel and sole Tulzapurkar J. judgment begin SCR 243; reasons and common disposition end SCR 256. No adjacent judgment included.

Open cited source rendition

The jurisdiction block at SCR 243 gives High Court Reference No. 320/64; the reasons at SCR 245 give 329/1964. Reference No. 454/1965 is consistent.

The account narrative gives one anna per bundle of yarn and two annas per cotton bale; the quoted board-resolution narrative describes one anna per bale on yarn. This rate/unit variation is not reconciled.

Agra Bullion Exchange is cited as 41 ITR 473 in the headnote and 472 in the reasons; Pandaria Pillai appears as 31 STC 108 in the headnote and 7 STC 108 in the footnote. These citations are not independently certified.

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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