

S.P. Gramophone Company v. C.I.T., Patiala

Civil Appeal No. 850 of 1974 — Assessee appeal from the Punjab and Haryana High Court judgment of 24 September 1973 in Income Tax Reference No. 21 of 1972.

[1986] 1 SCR 164 | 1986-01-29

Registration under section 26A of the 1922 Act required both legal validity and factual genuineness. The evidence supported the finding that the four incoming partners were dummies, so formal execution of a partnership deed did not entitle this firm to registration (SCR 173-176).

Indian Income-tax Act, 1922 | 1922 Act: 26A

2-judge bench | V.D. Tulzapurkar, J. | Sabyasachi Mukharji, J.

01 FACTS OF THE CASE

For assessment year 1961-62, a fresh deed reduced the two original partners' shares to 25 per cent each and allotted 12½ per cent to each of four close relatives, two of whom continued as paid employees. Management remained with the original partners. The Income-tax Officer refused registration, and the appellate authorities and High Court sustained that result. The High Court recast the first referred question to address the existence of a genuine partnership and the evidence supporting the adverse finding (SCR 167-170).

Source: [SCR 164-176; physical PDF pages 1-13](#)

02 DISCUSSION BY THE HON'BLE COURT

Tulzapurkar J. distinguished a legally possible partnership arrangement from one genuinely intended and acted upon. Restricting management to some partners need not negate mutual agency, but the deed's controls, surrounding relationships and the incoming partners' ignorance of its terms supported the factual finding here. Unsigned loose accounts were unauthentic; books first produced in the Supreme Court denied the tax authorities an opportunity to examine them. Whether the new entries were intended to operate would itself need investigation. The Court upheld the reframing of the reference to expose the real controversy (SCR 173-176).

Source: [SCR 164-176; physical PDF pages 1-13](#)

03 JUDICIAL DECISION

The refusal of registration was sustained because the firm was not shown to be genuine. The proposition that a benamidar's presence alone did not bar registration under the 1922 Act did not help a firm independently found nongenuine; A. Abdul Rahim & Co. was distinguished on that basis (SCR 176).

Source: [SCR 164-176; physical PDF pages 1-13](#)

04 OUTCOME / IN WHOSE FAVOUR

Revenue The assessee's appeal was dismissed with costs. Registration remained refused; no further inquiry or remand was ordered (SCR 176). Substantive historical income-tax issue decided No current-law or comprehensive later-treatment certification.

Source: [SCR 164-176; physical PDF pages 1-13](#)

05 AKHB REVIEW POINT

Separate legal validity, benami status and proof that a partnership actually operated. The 1961 Act references are comparative context; this appeal decided section 26A of the 1922 Act. Neither the deed restrictions nor kinship should be isolated from the cumulative evidence. Later treatment and modern statutory equivalence remain unverified.

Source: [SCR 164-176; physical PDF pages 1-13](#)

ASSESSMENT YEARS AND LIMITS

Years: 1961-62

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 6; Indian Partnership Act, 1932, section 4; Income-tax Act, 1961, sections 184 and 185: reporter heading and comparative discussion, not operative provisions

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 164-167; jurisdiction/counsel and sole Tulzapurkar J. judgment begin SCR 167; judgment and dismissal end SCR 176. No adjacent judgment is included.

Open cited source rendition

The headnote lists sections 184 and 185 of the 1961 Act, but the Court identifies the operative claim as registration under section 26A of the 1922 Act for AY 1961-62.

The extracted text misreads the accident year at SCR 167 as 1953; the page image prints 19 October 1958, consistently with the headnote.

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.

AI DISCLOSURE

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

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