

Commissioner of Income-tax, Delhi v. Mahalaxmi Sugar Mills Co. Ltd.

Civil Appeals Nos. 1350-1351 (NT) of 1974 — Two Revenue appeals concerning Pakistan dividends

[1986] 3 SCR 150 | 1986-07-15

Dividends from the Pakistan company had to be set against the assessee's Indian business losses in computing its total world loss under section 24(1) of the Indian Income-tax Act, 1922. The particular India-Pakistan agreement granted tax abatement after domestic assessment; it did not exclude those dividends from the statutory income computation (SCR 156-160).

Indian Income-tax Act, 1922 | 1922 Act: 24(1) | 1922 Act: 4(1)(b)(ii) | 1922 Act: 49AA

2-judge bench | R.S. Pathak, J. | Sabyasachi Mukharji, J.

01 FACTS OF THE CASE

Pathak J., with Sabyasachi Mukharji J., delivered the sole judgment on 15 July 1986 in Civil Appeals 1350-1351 (NT) of 1974, from Delhi High Court's 19 October 1973 decision in ITRs 46 and 52 of 1970. The dispute covered assessment years 1956-57 and 1957-58. The Indian sugar manufacturer held shares in Premier Sugar Mills & Distillery Co. at Mardan and sought to carry forward its unreduced Indian losses (SCR 152-154).

Source: [SCR 150-160; physical PDF pages 1-11](#)

02 DISCUSSION BY THE HON'BLE COURT

Article IV preserved assessment in the ordinary way under each Dominion's law. Articles VI and VII dealt with abatement, collection and preservation of domestic tax provisions. Thus the restriction concerned retention of tax after assessment, rather than exclusion of income at the assessment stage. The dividends were within section 4(1)(b)(ii), and no statutory exemption was shown. The assessing officer had a duty to apply section 24 where applicable even absent a claim; the Court additionally found that set-off had in fact been claimed (SCR 154-160).

Source: [SCR 150-160; physical PDF pages 1-11](#)

03 JUDICIAL DECISION

Dividends from the Pakistan company had to be set against the assessee's Indian business losses in computing its total world loss under section 24(1) of the Indian Income-tax Act, 1922. The particular India-Pakistan agreement granted tax abatement after domestic assessment; it did not exclude those dividends from the statutory income computation (SCR 156-160).

Source: [SCR 150-160; physical PDF pages 1-11](#)

04 OUTCOME / IN WHOSE FAVOUR

Revenue The Revenue's appeals were allowed with costs. The High Court's judgment was set aside and the referred questions answered for the Revenue insofar as they concerned Pakistan dividends. Both sides expressly excluded the capital-gains portions from these appeals (SCR 154, 160). Historical income-tax issue decided with the qualifications stated in this note No current-law or comprehensive later-treatment certification.

Source: [SCR 150-160; physical PDF pages 1-11](#)

05 AKHB REVIEW POINT

This historical 1922 Act decision applies the agreement notified under section 49AA by Notification 28 dated 10 December 1947. Its reasoning is tied to that agreement's express abatement scheme and cannot alone establish how a present treaty or 1961/2025 legislation operates. No later treatment is claimed. Source: supplied SCR report, [1986] 3 SCR 150-160, including the agreement's table. "Deductible" means reducing the loss by dividend income, not a fresh expenditure deduction.

Source: [SCR 150-160; physical PDF pages 1-11](#)

ASSESSMENT YEARS AND LIMITS

Years: 1956-57; 1957-58

Qualification: Only the assessment years material to the issue described are listed.

REPORTED CITATION

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

SOURCE & VERIFICATION

[Original reported Supreme Court judgment](#)

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Capital-gains portions were expressly excluded from the appeals. The historical agreement analysis is not a universal rule for present treaties.

STATUTORY SCOPE

Indian Income-tax Act, 1922. The historical operative enactment is identified. Source-discussed 1961 provisions are contextual unless expressly stated; 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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