

PETITIONER:
SHERE PUNJAB SILK STORES, DELHI

Vs.

RESPONDENT:
COMMISSIONER OF INCOME-TAX, DELHI

DATE OF JUDGMENT 11/12/1972

BENCH:
HEGDE, K.S.
BENCH:
HEGDE, K.S.
REDDY, P. JAGANMOHAN

CITATION:
1973 AIR 2401 1973 SCR (3) 76
1973 SCC (4) 206

ACT:
Income Tax Act (11 of 1922) s. 26 A and Income Tax Rules, 1922 rr. 2, 3 and 6-Application for renewal of registration-Division of previous year's profits-If incumbent before application is made.

HEADNOTE:
The assessee firm applied for renewal of its registration under s.26A, Income Tax Act, 1922, in May 1958, stating that the income of the previous year, which ended on March 31, 1958, had been divided among the partners. The Department Tribunal and the High Court did not believe that the previous year's income had been divided and rejected the application.
Dismissing the appeal to this Court,
HELD : From a reading of the section and rules 2, 3 and 6 of the Income tax Rules and the forms prescribed, it is clear that in the case of an application for renewal, it is incumbent on the part of the assessee to have divided the previous year's profits before the application for renewal is made. The fact that the interpretation may cause hardship to the assessee is irrelevant when the language is plain. [81-G]
Surajmal v. Commissioner of Income-tax, Madras, 43 I.T.R. 491 and Ganesh Lal Laxmi Narain v. Commissioner of Income Tax, U.P. 68 I.T.R., 696, approved.
Khanjan Lal Sewak Ram v. Commissioner of Income-tax, U.P., 83 I.T.R. 175, referred to.

JUDGMENT:
CIVIL APPELLATE JURISDICTION: Civil Appeal No. 1690 of 1969.
Appeal by special leave from the judgment and order dated July 15, 1968 of the Delhi High Court at New Delhi in Incometax Reference No. 44 of 1964.
G.C. Sharma, R. Chawla, S. R. Gupta, R. P. Soni and K. B. Rohtagi for the appellant.
F. S. Nariman, Addl. Solicitor-General of India, A. N. Kirpal,
S. P. Nayar and R.N. Sachthey for the respondent.
The Judgment of the Court was delivered by

HEGDE, J. This is an appeal by special leave. The appellant is the assessee. In this case we are concerned with his assessment for the assessment year 1958-59. The relevant previous year ended on March 31, 1958. The assessee's firm applied for renewal of its registration under section 26(A) of the Indian Income Tax Act 1922 (in short 'the Act') before the Income-Tax Officer on May 26, 1958. In that application he mentioned that the previous years' income had been divided among the partners. The Income-Tax Officer rejected that application. He did not believe the version of the assessee that the previous years' income

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had been divided. In appeal, the Appellate Assistant Commissioner agreed with the conclusion reached by the Income-tax Officer. On a further appeal being taken to the Income-tax Appellate Tribunal the Tribunal agreed with the conclusions reached by the lower authorities. Before the Tribunal yet another contention appears to have been taken. That contention was that at any rate the partners having divided the income of the previous year as evidenced by the balance sheet before the assessment was made, the assessee firm was entitled for its registration under section 26(A). The Tribunal did not go into that question. The High Court agreed with the view taken by the Tribunal.

The only question that arises for decision in this case is whether it was incumbent on the part of the assessee to have divided the profits of the previous year before it made its application for renewal of the registration certificate. For deciding this question it is necessary to refer to the relevant provisions of the Act as well as the Rules. Section 26 (A) of the Act reads. thus.-

"26A. Procedure in registration of firms

(1) Application may be made to the Income-tax Officer on behalf of any firm, constituted under an instrument of partnership specifying the individual shares of the partners, for registration for the purposes of this Act and of any other enactment for the time being in force relating to income-tax or super tax.

(2) The application shall be made by such person or persons, and at such times and shall contain such particulars and shall be in such form, and be verified in such manner, as may be prescribed; and it shall be dealt with by the income-tax Officer in such manner as may be prescribed."

Turning to the relevant Rules, they are found in Rules 2, 3 and 6. These Rules read thus:--

"Rule 2-Any firm constituted under an Instrument of Partnership specifying the individual shares of the partners may, under the provisions of section 26A of the Indian Income-tax Act, 1922 (hereinafter in these rules referred to as the Act), register with the Income-tax Officer, the particulars contained in the said Instrument on application made in this behalf.

Such application shall be signed by all the partners (not being minors) personally, or in the case of a dis-

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solved firm by all persons (not being minors) who were partners in the firm immediately before dissolution and by the legal representative of any such partner who is deceased and shall, for any year of assessment up to and including the, assessment for the year ending on the 31st day of March, 1953, be made before the 28th February, 1953, and for any year of assessment subsequent thereto, be made.

(a) Where the firm is not registered under the Indian Partnership Act 1932 (TX of 1932), or where the deed of

partnership is not registered under the Indian Registration Act, 1908 (XVI of 1908), and the application for registration is being made for the first time under the Act.

(i) within a period of six months of the constitution of the firm or before the end of the "previous year" of the firm whichever is earlier, if the firm was constituted in that previous year,

(ii) before the end of the previous year in any other case.

(b) where the firm is registered under the Indian Partnership Act, 1932 (TX of 1932), or where the deed of partnership is registered under the Indian Registration Act, 1908 (XVI of 1908), before the end of the previous year of the firm, and

(c) where the application is for renewal of registration under Rule 6 for any year, before the 30th day of June of that year :

Provided that the, Income-tax Officer may entertain an application made after the expiry of the time-limit specified in this rule, if he is satisfied that the firm was prevented by sufficient cause from making the application within the specified time .

Rule 3-The application referred to in Rule 2 shall be made in the form annexed to this rule and shall be accompanied by the original Instrument of Partnership under which the firm is constituted, together with a copy thereof : provided that if the Income-tax Officer is satisfied that for some sufficient reason the original Instrument cannot conveniently be produced, he may accept a copy of it certified in writing by all the partners (not being minors) or, where the application is made after dissolution of the firm, by all the persons

referred to in the said Rule, to be correct copy, and in such a case the application shall be accompanied by a duplicate copy.

FORM I

FORM OF APPLICATION FOR REGISTRATION OF A FIRM UNDER SECTION 26A OF THE INDIAN INCOME-TAX ACT, 1922.

TO

The Income-tax Officer,

Dated 19
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Income-tax year 19

1.
2.

3. We do hereby certify that the profits (or loss if any-) of the previous year were/will be (period upto the date of dissolution were/will be) divided or credited as shown in section B of the Schedule and that the information given above and in the attached Schedule is correct.

(Signatures)
(Address)

Note :-This application must be signed.....

SCHEDULE

Name of partner	Address	Date of admitt-	(1) Interest	(1) Salary	(2) Share	in
REMARKS						

ance to on capital commis- the bal
partner or loans sion from ance of
ship. (if any) firm profits
(or loss)
etc.

1	2	3	4	5	6	7

(A)Particulars of the firm as constituted at the date of this application.

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(B) Particulars of the apportionment of the income, profits or gains (or loss) of the business, profession or vocation in the previous year between the partners who in that previous year were, entitled to share in such income, profits or gains (or loss). Applicable where the application is made after the end of the relevant previous year).

Note:-(I) If the interest, salary and/or commission column with the letter "R". (In other cases the interest, salary and/or commission may exceed the total profits so as to leave a balance of net loss divisible in column 6).

(2)If any partner is entitled to share in profits but is not liable to bear a similar proportion of any losses this fact should be indicated by putting against his share in column 6 the letter "P".

Rule 6 Any firm to whom a certificate of registration has been granted under Rule 4 may apply to the Income-tax Officer to have the certificate of registration renewed for a subsequent year. Such application shall be signed personally by all the partners (not being minors) of the firm or, where the application is made after dissolution of the firm, by all persons (not being minors) who were partners in the firm immediately before dissolution and by the legal representative of any such person who is deceased, and accompanied by a certificate in the form set out below. The application shall be made before the 30th day of June of the year for which assessment is to be made provided that the Income-tax Officer may entertain an application made after the expiry of the said date, if he is satisfied that the firm was prevented by sufficient cause from making the application before that date.

FORM OF APPLICATION FOR THE RENEWAL OF REGISTRATION OF A FIRM LTNDER SECTION 26A OF THE INDIAN INCOME-TAX ACT, 1922 TO

The Income-tax Officer

Dated

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Assessment for the Income-tax Year 19 /19

1.....

2.....

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3.We do hereby further certify that the profits (or loss if any) of the previous year were/period up to the date of dissolution were/will be divided or credited as shown below:-

Particulars of the apportionment of the income, profits or gains (or loss) of the business, profession or vocation in the previous year or the period upto the date of dissolution between the partners who were entitled to share in such income, profits or gains (or. loss).

Name of Partner	Address	Date of admitt- ance of partner- ship	(1) Interest on capital or loans (if any)	(2) Salary or comm- ission from firm.	(2) Share in the balance of profits (or loss)	REMARKS
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etc. etc.

1	2	3	4	5	6	7
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Note :-(1) If the interest, salary and/or..... loss divisible in column 6.

(2) If any partner is entitled his share in column 6 the letter "P".

(Signatures)

(Address)

Note :-This application must be signed personally of any such person who is deceased".

From a reading of these provisions it is clear that in the case of an application for renewal it is incumbent on the part of the assessee to have divided the previous year's profits. This conclusion appears to be obvious from Section 26(A) read with Rules 2, 3, 6 and the forms set out earlier. The contention of Mr. Sharma, the learned counsel for the assessee, that if the relevant provisions are interpreted in the manner that we have done it leads to hardship to the assessee, is not relevant in view of the plain language of the provisions.

Our conclusion in this regard receives support from the decision of Madras High Court in Surajmall v. Commissioner of,

L63lSuP Cl/73

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Income-tax, Madras(1), and that of the Allahabad High Court in Ganesh Lal Laxmi Narain v. Commissioner of Income-tax, U.P.(2). In Khanjan Lal Sewak Ram v. Commissioner of Income-tax, U.P.(3) this Court had ruled that para 3 of Rule 6 (supra) is mandatory. We see no merit in this appeal. It is dismissed with costs.

V.P.S.

Appeal dismissed.

(1) 43 I.T.R. 491.

(2) 68 I.T.R. 696.

(3) 83 I.T.R. 175.

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