New Kailash Cotton Factory v. Assessing Officer-cum-Income Tax Officer, Ward 1, Mansa

ITA 510/2006

ITA 510/2006 | 2007-03-21

Claimed agency profits remained taxable to the firm

260A

High Court of Punjab and Haryana | Chandigarh | M.M. Kumar | Rajesh Bindal

Assessment years: 1988-89

01 FACTS OF THE CASE

New Kailash Cotton Factory claimed that transactions for 21 parties produced Rs.3,06,802 of profits transferred to them for AY 1988-89. The assessing authority treated the profits as the firm's own income. The Tribunal rejected the agency claim but allowed adjustment of speculation losses relating to three parties. The firm challenged the factual findings under section 260A.

Source: PDF pp.1–2

02 DISCUSSION BY THE HON'BLE COURT

The Court relied on the absence of proof of written or oral agency arrangements, the firm's own funds and infrastructure, purchases and sales in its account, and inadequate contemporaneous transaction records. The Tribunal's view was supported by evidence and was a possible view. A competing inference on reappraisal did not establish perversity.

Source: PDF pp.2–5

03 JUDICIAL DECISION

The assessee's appeal was dismissed for want of a substantial question of law. The Tribunal's conclusion attributing the profits to the firm remained intact, together with its stated allowance for adjustment of speculation losses.

Source: PDF pp.4–5

04 OUTCOME / IN WHOSE FAVOUR

Revenue succeeded on the attribution of profits. The note does not treat Rs.3,06,802 as an independently recomputed net addition after the Tribunal's partial loss adjustment, or state that absence of a Sauda Bahi alone decides every agency claim.

Source: PDF pp.2–5

05 EXPERT COMMENTS

Establish the agency before characterising a subsequent payment — The issue was who earned the trading profits. The documents, funding and conduct supported transactions of the firm itself. A transfer to other persons after earning income did not prove that the firm had acted for them from the outset. An agency comparison therefore needs contemporaneous instructions, funding arrangements and trade records, not merely a later profit allocation.

Multiple factual defects supported the conclusion — The reasoning combined invoices and accounts in the firm's name, its own infrastructure, absent or nominal advances and lack of proved orders. It did not announce that every omitted Sauda Bahi entry defeats an otherwise established agency. The Tribunal distinguished the cited K.H. Valia matter because evidence supported the transaction there. The recipients being unrelated or assessed to tax did not cure this record.

Preserve the partial relief and the appellate boundary — The High Court rejected a perversity challenge; it did not recompute the assessment. The Tribunal had accepted adjustment of speculation losses in relation to three parties. Reporting only that an addition of the gross amount was upheld would conceal that qualification. The possible-view standard also explains why a different factual inference was insufficient to admit this appeal.

Source: Editorial analysis; source references in the structured comments

SOURCE & VERIFICATION

Punjab and Haryana High Court order; verified source copy

Complete source PDF reviewed: 5 physical pages.

All 5 original pages read and visually inspected; source hash verified. AI-assisted substantive correction.

Open cited source rendition

Source bytes and identity checked; see panel-specific references and disclosed source anomalies.

STATUTORY SCOPE

Sections and disposition are recorded only to the extent stated in this source order.

LATER TREATMENT

Source checked 2026-10-21. Subsequent treatment not independently verified.

AI DISCLOSURE

AI-assisted research checked against the identified source. Extraction, interpretation or omission errors remain possible. Source review does not mean independent approval by a practising professional. Verify every material statement against the complete original judgment.

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