

Commissioner of Income-tax, West Bengal v. Calcutta Agency Ltd.

Civil Appeal No. 59 of 1950

[1950] SCR 1008 | 1950-12-21

Proof of business expenditure and the limits of historical reference jurisdiction.

Indian Income-tax Act 1922 sections 10(2)(xv), 66

Three-judge bench | Harilal Kania C.J. | M. Patanjali Sastri J. | S.R. Das J.

Scope and outcome limits

Assessment year not expressly stated; do not infer from earlier appellate dates. Tribunal's capital-payment reasoning is reported, but Supreme Court rests its disposal on missing facts. Section 7 contention was not pursued before Supreme Court.

01 FACTS OF THE CASE

Calcutta Agency managed Basanti Cotton Mills. After hundis drawn by a director produced litigation, it agreed to reimburse the Mills through deductions from its commission. It claimed Rs 22,500 as business expenditure. The Tribunal rejected the claim. On reference, the High Court accepted counsel's assertion that payment avoided scandal and preserved the managing agency, although those purposes had not been found as facts by the Tribunal.

Source: [Primary report: SCR 1010-1014 / PDF 3-7](#)

02 DISCUSSION BY THE HON'BLE COURT

The assessee bore the burden of establishing facts supporting the deduction. In the historical reference jurisdiction, the High Court had to answer legal questions on the Tribunal's facts, subject to a successful no-evidence challenge; it was not a fresh fact-finder. The parties had accepted the stated case. Arguments about avoiding exposure and preserving business could not be substituted for factual findings. The factual basis needed to invoke *Mitchell v. B. W. Noble* had never been proved.

Source: [Primary report: SCR 1014-1018 / PDF 7-11](#)

03 JUDICIAL DECISION

The Revenue's appeal was allowed with costs in the Supreme Court and High Court. Deduction under section 10(2)(xv) failed because the necessary supporting facts had not been established at any stage.

Source: [Primary report: SCR 1018 / PDF 11](#)

04 OUTCOME / IN WHOSE FAVOUR

Revenue; claimed expenditure deduction refused on failure of proof.

Source: [Primary report: SCR 1018 / PDF 11](#)

05 AKHB REVIEW POINT

Build the evidence for business purpose before relying on a favourable precedent. Keep counsel's submissions separate from adjudicated facts, and address any factual omission in the stated record through the permitted procedure. Do not convert this proof-based result into a universal rule that every settlement payment or discharge of debt is capital or non-deductible.

Source: [Primary report: SCR 1015-1018 / PDF 8-11](#)

SOURCE & VERIFICATION

[Supreme Court Reports primary scan — public eSCR mirror](#)

SCR 1008-1018; all 11 PDF pages read. The preceding Pannalal Jankidas ending on page 1 is excluded.

[Open cited source rendition](#)

STATUTORY SCOPE

Historical Indian Income-tax Act, 1922 only; no present statutory equivalence or current-law clearance is asserted.

LATER TREATMENT

Source checked 2026-10-18. Subsequent treatment and current-law applicability have not been comprehensively checked.

AI DISCLOSURE

This AKHB research note was prepared with AI assistance from an identified primary report. Independent human review is not represented.

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General legal and tax research only; not legal or tax advice. Verify the complete judgment, applicable statutory version and subsequent treatment before reliance. The AKHB REVIEW POINT is editorial analysis, not the Court's holding. No current-law clearance is claimed.