

Commissioner of Excess Profits Tax, Bombay City v Sri Lakshmi Silk Mills Ltd.

Civil Appeal No. 46 of 1950

[1952] SCR 1 | 1951-09-18

Whether temporarily letting a manufacturing plant, when the owner could not use it because of raw-material shortage, produced business income within section 2(5) of the Excess Profits Tax Act, 1940.

Excess Profits Tax Act, 1940, section 2(5) | Indian Income-tax Act, 1922, sections 9, 10 and 12 discussed

3-judge bench | Saiyid Fazl Ali J. | Mehr Chand Mahajan J. | B. K. Mukherjea J.

Scope and outcome limits

Evidence of temporary interruption, continuing business purpose and retention of an operational commercial asset matters to income classification. This is not a rule that every lease receipt is business income; permanent abandonment, redundancy, property investment and applicable current provisions require separate analysis.

01 FACTS OF THE CASE

The company manufactured silk cloth and owned a dyeing plant for that business. Wartime shortage of silk yarn temporarily prevented its own use of the plant. It let the plant to E. Parakh & Co. from 20 August 1943 and received Rs. 20,005 for five months. The tax authorities treated the rent as business profits, but the Bombay High Court held that the plant had ceased to be a commercial asset in the company's hands and answered the reference against excess profits tax liability.

Source: [Primary report: SCR 2-4](#)

02 DISCUSSION BY THE HON'BLE COURT

Temporary inability to use the plant did not make it cease to be a commercial asset. The company could exploit that asset for its manufacturing business either by using it itself or temporarily letting it to another. The plant was not shown to have become redundant, and the company could resume dyeing when yarn became available. The Court distinguished property-investment and prolonged withdrawal-from-business cases, expressly warning that each case depended on its own circumstances.

Source: [Primary report: SCR 5-10](#)

03 JUDICIAL DECISION

The Revenue's appeal was allowed without an order as to costs. The reference was answered affirmatively: the Rs. 20,005 was business profit chargeable to excess profits tax.

Source: [Primary report: SCR 11](#)

04 OUTCOME / IN WHOSE FAVOUR

Revenue; historical excess profits tax charge upheld.

Source: [Primary report: SCR 11](#)

05 AKHB REVIEW POINT

Evidence of temporary interruption, continuing business purpose and retention of an operational commercial asset matters to income classification. This is not a rule that every lease receipt is business income; permanent abandonment, redundancy, property investment and applicable current provisions require separate analysis.

Source: [Primary report: SCR 5-11](#)

SOURCE & VERIFICATION

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

PDF pages 1-11 / SCR 1-11. Opinion starts SCR 2 and ends before Finlay Mills caption on SCR 11. PDF contains 21 pages, including Finlay Mills at SCR 11-18 and a Bhim Sen preventive-detention fragment at SCR 18-21. These are separate judgments, not additional pages of Sri Lakshmi.

[Open cited source rendition](#)

STATUTORY SCOPE

Historical statutory and constitutional text only; current statutory equivalence and subsequent treatment are not cleared.

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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