

Raghuvanshi Mills Ltd. v Commissioner of Income-tax, Bombay City

Civil Appeal No. 55 of 1950

[1953] SCR 177 | 1952-11-03

Whether insurance proceeds replacing lost profits were income chargeable under the 1922 Act, and whether their non-recurring character brought them within the casual-receipt exemption.

Indian Income-tax Act, 1922, sections 2(6C), 3, 4, 4(3)(vii), 6 and 66(1)

4-judge bench | Mehr Chand Mahajan J. | S. R. Das J. | Vivian Bose J. | Ghulam Hasan J.

Scope and outcome limits

Read the insurance contract and establish the allocation of proceeds before the fact-finding authorities. Compensation replacing profits must be distinguished from compensation for capital loss. The judgment does not hold that every insurance receipt is taxable or determine the treatment of standing-charge and agency-commission allocations.

01 FACTS OF THE CASE

After a fire destroyed the mills in January 1944, the company received Rs. 14 lakh under consequential-loss insurance policies in the relevant year for assessment year 1945-46. The policies addressed loss of profits, standing charges and agency commission, but throughout the proceedings the entire disputed sum had been treated as compensation for lost profits. Revenue assessed it as income.

Source: [Primary report: SCR 178-181](#)

02 DISCUSSION BY THE HON'BLE COURT

The proceeds were intended to replace profits that the business would have earned and were income even if not profits earned by trading in the ordinary way. They arose from and were inseparably connected with the business, so the exclusion for casual, non-recurring receipts not arising from business did not apply. A proposed allocation to standing charges or agency commission raised new factual questions outside the reference and lacked an evidentiary basis; the Court expressly decided nothing about amounts attributable to those other heads. The requirement to endeavour to restart operations before claiming insurance did not change the character of the receipt.

Source: [Primary report: SCR 179, 181-184](#)

03 JUDICIAL DECISION

The assessee's appeal was dismissed with costs. The Rs. 14 lakh, on the stated assumption that it wholly represented lost profits, was assessable to income tax.

Source: [Primary report: SCR 184](#)

04 OUTCOME / IN WHOSE FAVOUR

Revenue; lost-profit insurance proceeds treated as income on the stated facts.

Source: [Primary report: SCR 184](#)

05 AKHB REVIEW POINT

Read the insurance contract and establish the allocation of proceeds before the fact-finding authorities. Compensation replacing profits must be distinguished from compensation for capital loss. The judgment does not hold that every insurance receipt is taxable or determine the treatment of standing-charge and agency-commission allocations.

Source: [Primary report: SCR 179-184](#)

SOURCE & VERIFICATION

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

All eight PDF pages / SCR 177-184; judgment begins SCR 178 and ends SCR 184. No adjacent judgment text.

[Open cited source rendition](#)

STATUTORY SCOPE

Historical Indian Income-tax Act, 1922 provisions; 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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