

Anglo-French Textile Co. Ltd. v. Commissioner of Income-tax, Madras

Civil Appeal No. 12 of 1952

[1953] SCR 454 | 1952-12-22

Historical business connection and attribution to systematic purchasing operations.

Indian Income-tax Act 1922 sections 42(1), 42(3), 66(1)

4-judge bench | Mehr Chand Mahajan J. | S.R. Das J. | Vivian Bose J. | N.H. Bhagwati J.

Scope and outcome limits

Historical Indian Income-tax Act 1922 provisions; no subsequent-treatment or current-law clearance is asserted. Do not apply the historical purchasing-operation holding without checking later statutory exclusions and applicable treaties. First page contains the conclusion of Civil Appeal No. 13; last page begins the separate Arunachalam Chettiar report.

01 FACTS OF THE CASE

A United Kingdom company manufactured yarn and cloth at Pondicherry in French India. Although it made no sales in British India during the accounting year 1939, all cotton purchases were systematically made there through Best & Co. under a broad agency agreement. The agents used commercial skill to select quantities, qualities, times and prices. The officer treated this as a business connection and attributed ten per cent of the company's net income of Rs. 2,81,176 to the Indian operations. The Tribunal and High Court upheld the assessment.

Source: [Primary report: SCR 455-457; PDF 2-4](#)

02 DISCUSSION BY THE HON'BLE COURT

The Court rejected the proposition that profits could arise only from sale. Following the reasoning in Ahmedbhai Umarbhai, purchase, manufacture and sale could contribute to business profits. But not every activity qualified as an operation under section 42(3): it had to be a well-defined business operation under accepted commercial understanding. The habitual purchases through an established, skilled agency satisfied that test. Continuous business relations between the Indian profit-contributing agent and the foreign company also constituted a business connection. Isolated or casual purchases were expressly distinguished.

Source: [Primary report: SCR 458-463; PDF 5-10](#)

03 JUDICIAL DECISION

Both referred questions were answered in the affirmative: the company had a business connection in British India and profits could reasonably be attributed to its cotton purchases there. The appeal was dismissed with costs. The ten-per-cent attribution arose on these facts; the judgment did not prescribe a universal attribution rate.

Source: [Primary report: SCR 457, 461-463; PDF 4, 8-10](#)

04 OUTCOME / IN WHOSE FAVOUR

Revenue, on business connection and attribution of profits to the established purchasing operations.

Source: [Primary report: SCR 457, 462-463; PDF 4, 9-10](#)

05 AKHB REVIEW POINT

Examine the agency agreement, continuity of dealings and substantive purchasing functions before treating procurement as a profit-contributing operation. Preserve the Court's express distinction between an established skilled agency and isolated purchases. The historical section 42 analysis must not be transposed into present legislation or treaty rules without checking their text and later law.

Source: [Primary report: SCR 456, 462-463; PDF 3, 9-10](#)

SOURCE & VERIFICATION

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

All 10 PDF pages read. No assessment year is explicitly fixed here beyond the stated accounting year 1939; avoid inferring one from the earlier 1939-40 assessment narrative.

[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.

[Related note: Anglo-French Textile Co. Ltd. v. Commissioner of Income-tax, Madras](#)

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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