

K. M. S. Lakshmanier and Sons v Commissioner of Income-tax and Excess Profits Tax, Madras

Civil Appeal No. 71 of 1952

[1953] SCR 1057 | 1953-01-23

Excess Profits Tax Act, 1940, Schedule II rule 2-A

Excess Profits Tax Act, 1940, Schedule II rule 2-A

5-judge bench | Patanjali Sastri CJI (author) | B. K. Mukherjea J. | Chandrasekhara Aiyar J. | Vivian Bose J. | Ghulam Hasan J.

Historical statutory scope

Historical Excess Profits Tax ruling with split-period relief. The report prints 13 May 1944 at SCR 1059 but describes weeks before 5 May at SCR 1062; no start date is reconstructed. The operative 14 February-12 April 1945 period is explicit. No current-law clearance.

01 FACTS OF THE CASE

Yarn merchants received customer advances under successive contractual arrangements. Earlier sums related to particular forward contracts; from 14 February 1945 a continuing security deposit unrelated to individual prices bore interest and was repayable when dealings ended.

Source: [Primary report: SCR 1059-1063](#)

02 DISCUSSION BY THE HON'BLE COURT

Which customer deposits were borrowed money included in average business capital under rule 2-A? The final arrangement had the essential debtor-creditor characteristics of a loan: use of the money, interest and repayment of an equivalent sum, subject to defaults. Calling it a security deposit did not prevent that conclusion. Earlier contract-linked advances remained trading receipts in substance, even where the accounting name changed or repayment followed full payment of price.

Source: [Primary report: SCR 1060-1063; SCR 1063-1067](#)

03 JUDICIAL DECISION

The lower order was set aside. The reference was answered affirmatively for 14 February-12 April 1945 and negatively for the remainder; no order as to costs.

Source: [Primary report: SCR 1068](#)

04 OUTCOME / IN WHOSE FAVOUR

Mixed; partial assessee relief. The lower order was set aside. The reference was answered affirmatively for 14 February-12 April 1945 and negatively for the remainder; no order as to costs.

Source: [Primary report: SCR 1068](#)

05 AKHB REVIEW POINT

Classify deposits by operative obligations and split periods when terms change. The judgment does not make all deposits borrowed capital or decide their treatment under current provisions.

Source: [Primary report: SCR 1067-1068](#)

SOURCE & VERIFICATION

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

All twelve pages / SCR 1057-1068, no neighbouring judgment.

[Open cited source rendition](#)

STATUTORY SCOPE

Historical statutory text and assessment period only. Present statutory equivalence and later judicial treatment are not cleared.

LATER TREATMENT

Source checked 2026-10-19. 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.