

Keshav Mills Ltd. v Commissioner of Income-tax, Bombay

Civil Appeal No. 151 of 1951

[1953] SCR 950 | 1953-01-30

Indian Income-tax Act, 1922, sections 4(1)(a), 4(1)(c), 10 and 13

Indian Income-tax Act, 1922, sections 4(1)(a), 4(1)(c), 10 and 13

4-judge bench | Mehr Chand Mahajan J. | S. R. Das J. | N. H. Bhagwati J. (majority author) | Vivian Bose J. (dissent)

Scope and outcome limits

Full majority and Bose dissent read. No current-law clearance; third receipt category Rs. 6,71,735 was separately awaiting additional facts in the High Court.

01 FACTS OF THE CASE

A non-resident textile company at Petlad kept mercantile accounts. Sale proceeds of Rs. 12,68,480 were collected through guaranteed brokers and Rs. 4,40,878 through banks or shroffs in British India. The company argued that earlier accounting credits outside British India precluded taxation on receipt. A third receipt category was not disposed of in this appeal.

Source: [Primary report: SCR 952-957](#)

02 DISCUSSION BY THE HON'BLE COURT

Did mercantile credits constitute earlier receipt outside British India, and did the accounting method displace actual-receipt taxation under section 4(1)(a)? The majority held that book credits established accrual, not actual or statutory deemed receipt. The sale relationship was not transformed into a different transaction by bookkeeping. The first receipts occurred through brokers and banks in British India on the company's behalf. Section 13 governed computation, not exemption from liability. Bose J. dissented: mercantile computation required examination of accrual under section 4(1)(c), and he would have remitted for reframed questions and additional facts. Both opinions distinguished statutory deemed receipt from mere accounting treatment.

Source: [Primary report: SCR 957-961; SCR 958-972](#)

03 JUDICIAL DECISION

By majority the appeal was dismissed with costs. The two receipt categories were taxable on the stated basis, subject to all just deductions and allowances.

Source: [Primary report: SCR 963-964, 972](#)

04 OUTCOME / IN WHOSE FAVOUR

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Source: [Primary report: SCR 963-964, 972](#)

05 AKHB REVIEW POINT

Keep accrual, first receipt and subsequent remittance analytically separate. Report the majority and dissent distinctly. This 1953 merits judgment should not be conflated with later Keshav Mills litigation, and does not clear modern territorial or treaty rules.

Source: [Primary report: SCR 961-972](#)

SOURCE & VERIFICATION

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

All 23 PDF pages / SCR 950-972. Majority SCR 952-964; dissent SCR 964-972; final disposition SCR 972.

[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 2026-10-18. 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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