Madan Gopal Bagla v. Commissioner of Income-tax, West Bengal

Civil Appeal No. 6 of 1954

[1956] SCR 551 | 1956-05-08

Historical interpretation: Indian Income-tax Act, 1922, section 10(2)(xi)

Indian Income-tax Act, 1922, section 10(2)(xi)

3-judge bench | S. R. Das | N. H. Bhagwati | T. L. Venkatarama Ayyar

Historical statutory scope and source qualifications

Historical 1922 Act judgment; no current-law clearance.

01 FACTS OF THE CASE

A timber merchant and Mamraj Rambhagat obtained separate bank loans on joint security in February 1930. The merchant repaid his own loan and, after Mamraj defaulted, paid Rs.1,00,626 under the guarantee. Receivers' dividends left Rs.55,030 unrecovered, written off and claimed for AY 1941–42. The Tribunal allowed it, but the High Court answered the reference against him.

Source: Primary report: SCR 552–554

02 DISCUSSION BY THE HON'BLE COURT

The debt had to be a trading debt of the business whose profits were computed. The guaranteed loan financed Mamraj's business, not the assessee's timber trade. Proof that traders obtained loans on joint security did not prove a reciprocal-guarantee custom essential to that trade. The Nattukottai Chettiar moneylending precedent depended on proven mutuality and the necessity of such guarantees to obtain lending funds; those features were absent here.

Source: Primary report: SCR 554–559

03 JUDICIAL DECISION

The loss was not an allowable bad debt of the timber business under section 10(2)(xi); the Court approved its treatment as capital rather than business loss on these facts.

Source: Primary report: SCR 557–559

04 OUTCOME / IN WHOSE FAVOUR

Revenue succeeded: the assessee's appeal was dismissed with costs.

Source: Primary report: SCR 559

©AKHB & Associates | AKHB commentary/design only; no claim over reproduced statutes or judgments.

05 AKHB REVIEW POINT

Establish the connection between the guaranteed liability and the particular trade, and prove the alleged commercial custom rather than inferring it from isolated joint borrowings. This is a historical ruling under the 1922 Act; present statutory treatment and later authorities require separate verification.

Source: Primary report: SCR 555–559

SOURCE & VERIFICATION

Supreme Court Reports primary scan — public eSCR mirror

Complete judgment at SCR 551–559; all nine PDF pages read; no separate opinion.

Open cited source rendition

STATUTORY SCOPE

Historical legislation expressly identified in this note. This is not a decision under the Income-tax Act, 1961 or the Income-tax Act, 2025. Verify enacted wording, commencement, transition and subsequent judicial treatment independently before modern reliance.

LATER TREATMENT

Source checked 2026-10-23. Subsequent treatment and present-law applicability have not been comprehensively checked.

AI DISCLOSURE

This AKHB research note uses AI assistance and a preserved full-primary review, with refreshed exact original-byte verification. Independent human review is not represented.

PROFESSIONAL DISCLAIMER

General legal and tax research only; not legal or tax advice. Verify the complete judgment, applicable statutory version and subsequent treatment before reliance. AKHB REVIEW POINT is editorial analysis, not the Court’s holding.

©AKHB & Associates | AKHB commentary/design only; no claim over reproduced statutes or judgments.