Commissioner of Income-tax, Nagpur v. Rai Bahadur Jairam Valji and Others

Civil Appeal No. 109 of 1954

[1959] Supp. 1 SCR 110 | 1958-10-07

Historical interpretation: Income-tax Act 1922 sections 10 and 66

Income-tax Act 1922 sections 10 and 66

3-judge bench | T. L. Venkatarama Aiyar | P. B. Gajendragadkar | A. K. Sarkar

Historical statutory scope and source qualifications

Historical legislation; current treatment has not been independently cleared.

01 FACTS OF THE CASE

A limestone supplier received Rs. 2,50,000 to terminate a long-term quarry-and-supply contract after railway facilities proved unavailable. The settlement also provided continuing limestone-supply and loading contracts.

Source: Primary report: SCR 112–117

02 DISCUSSION BY THE HON'BLE COURT

Capital versus revenue character depended on the actual business and contractual rights, not an infallible test or the contract's duration alone. This was an ordinary trading contract; no separate profit-making apparatus was extinguished and alleged wasted capital expenditure was unproved.

Source: Primary report: SCR 119–130

03 JUDICIAL DECISION

The termination compensation was a revenue receipt chargeable to income-tax. The taxpayer remained free to carry on business and received replacement trading arrangements.

Source: Primary report: SCR 132–133

04 OUTCOME / IN WHOSE FAVOUR

Revenue's appeal was allowed, the High Court judgment set aside and the Tribunal order restored; the taxpayer was ordered to pay costs throughout.

Source: Primary report: SCR 133

05 AKHB REVIEW POINT

Agency compensation is not invariably capital: the agency's role as capital asset or stock-in-trade matters. The Court separately recognized possible capital treatment for proved wasted capital expenditure or appropriate restrictive covenants; its holding must be tied to these established facts.

Source: Primary report: SCR 127–132

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SOURCE & VERIFICATION

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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.

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