Godrej & Company, Bombay v. Commissioner of Income-tax, Bombay

Civil Appeal No. 183 of 1956

[1960] (1) SCR 527 | 1959-08-04

Historical interpretation: Indian Income-tax Act, 1922: capital/revenue receipt; section 66(1)

Indian Income-tax Act, 1922: capital/revenue receipt; section 66(1)

3-judge bench | S. R. Das, C.J. | N. H. Bhagwati | M. Hidayatullah

Historical statutory scope and source qualifications

Historical statutory provisions; subsequent treatment and current-law applicability have not been verified.

01 FACTS OF THE CASE

A thirty-year managing agency was modified to reduce remuneration to 10% of net profits for the remaining term. The agent received Rs.7,50,000 compensation in 1947 for releasing the company from the higher remuneration obligation; Revenue treated it as income.

Source: Primary report: SCR 529–532

02 DISCUSSION BY THE HON'BLE COURT

The Court distinguished ordinary trading-contract compensation from enduring deterioration of a managing agency as the profit-making apparatus. Continued agency did not preclude a capital injury. It also cautioned that a payer's capital expenditure does not invariably mean capital receipt for the recipient.

Source: Primary report: SCR 532–536

03 JUDICIAL DECISION

The compensation was for enduring injury to the agency rights, not advance remuneration making up future commission differences, and was a capital receipt in the agent's hands.

Source: Primary report: SCR 535–537

04 OUTCOME / IN WHOSE FAVOUR

The assessee's appeal was allowed; the High Court answer was reversed and the reference answered negatively, with costs in both courts.

Source: Primary report: SCR 537

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05 AKHB REVIEW POINT

Read the changed rights and enduring effect, not merely the compensation label or continuation of services. The holding concerns this historical managing-agency asset and does not clear modern termination/modification receipts from specific tax provisions.

Source: Primary report: SCR 533–536

SOURCE & VERIFICATION

Supreme Court Reports primary scan — public eSCR mirror

Complete 11-page Supreme Court Reports scan. Any adjoining report fragments remain in the unchanged original and are excluded from this analysis.

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.

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