Cotton Agents Ltd., Bombay v. Commissioner of Income-tax, Bombay

Civil Appeal No. 100 of 1959

[1960] 3 SCR 810 | 1960-05-03

Historical interpretation: Indian Income-tax Act, 1922: sections 66(1), 66A(2); accrual of business income

Indian Income-tax Act, 1922: sections 66(1), 66A(2); accrual of business income

2-judge bench | S. K. Das | M. Hidayatullah

Historical statutory scope and source qualifications

Contract-specific historical accrual decision; current treatment not checked. Preceding sales-tax review fragment excluded; protective assessments expressly not decided.

01 FACTS OF THE CASE

The assessee acquired a managing agency in January 1945 with entitlement to emoluments from April 1944. It disputed tax on Rs. 2,20,433 attributable to April–December 1944, arguing that commission on sales accrued to the outgoing agents transaction by transaction.
Source: Primary report: SCR 812–814

02 DISCUSSION BY THE HON'BLE COURT

Reading the agreement as a whole, clause 2 measured commission at 3.5% of annual gross sales; clause 3 fixed accrual at the financial year end and payment after approval of accounts. Neither a debt nor a right to receive arose at each sale.
Source: Primary report: SCR 815–819

03 JUDICIAL DECISION

The whole commission accrued to the assessee at the financial year end. The High Court correctly rejected the Tribunal’s transaction-by-transaction accrual interpretation.
Source: Primary report: SCR 817–819

04 OUTCOME / IN WHOSE FAVOUR

The assessee appeal was dismissed with costs; Revenue succeeded on the accrual issue.
Source: Primary report: SCR 819

05 AKHB REVIEW POINT

Distinguish the contractual method of calculating remuneration, the date a right accrues and the later payment date. The Court expressly left protective-assessment validity and general service/apportionment questions undecided.
Source: Primary report: SCR 815, 817–819

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SOURCE & VERIFICATION

Supreme Court Reports primary scan — public eSCR mirror

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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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