

The Commissioner of Income-tax, Madhya Pradesh & Bhopal, Nagpur v. Bhopal Textiles Ltd., Bhopal

Civil Appeal No. 755 of 1957 — Single Supreme Court civil appeal disposed of by this judgment.
[1961] 2 SCR 9 | 1960-10-17

Payment by buyers to bank branches acting for the seller constituted receipt in British India, although the proceeds were later credited at Bhopal.

1922 Act: 4(1)(a) | 1922 Act: 66(1)

3 Judges | S. K. Das | M. Hidayatullah | J. C. Shah

01 FACTS OF THE CASE

Bhopal Textiles sent manufactured goods f.o.r. Bhopal to Government nominees at Agra, Allahabad and Delhi, with freight borne by the buyers. Railway receipts named the buyers as consignees but were sent through the Imperial Bank at Bhopal for collection by branches in those cities. The seller directed release of the receipts only against payment of the bill and collection charges. The Tribunal treated the proceeds as received in British India. The High Court instead regarded the bank as the buyers' agent after property had passed. The reference concerned proportionate profits on goods worth Rs.4,10,785; receipts of Rs.29,588 for direct Government supplies were no longer disputed.

Source: [SCR 10-11; facts and procedural record](#)

02 DISCUSSION BY THE HON'BLE COURT

The controlling question under section 4(1)(a) of the 1922 Act was receipt, not accrual. The bank's authority came from the seller, which controlled delivery of the title documents until payment. Buyers could not countermand those instructions, demonstrating that the collecting bank acted for the company. Applying P. M. Rathod, the Court rejected the attempted distinction between receipts made "to self" and receipts naming the consignee: the seller retained the documents pending payment. The agreement contemplating payment at Bhopal did not change what actually occurred; the parties had followed the mercantile collection arrangement instead. Receipt by the seller's agent at Agra, Allahabad or Delhi was receipt there by the seller. The Court questioned the High Court's property-transfer premise but expressly declined to decide accrual or give a final opinion on the reserved right of disposal.

Source: [SCR 11-13; reasoning, with opinion boundaries preserved](#)

03 JUDICIAL DECISION

The collecting branches received the relevant income on the company's behalf within the taxable territory. The reference question should therefore have been answered affirmatively. Later transmission and credit at Bhopal did not move the place of first receipt to that branch.

Source: [SCR 12-13; holding and express limits](#)

04 OUTCOME / IN WHOSE FAVOUR

Revenue's appeal allowed; reference answered in the affirmative. The High Court's negative answer on territorial receipt was reversed. Accrual was left undecided. Revenue awarded costs in the Supreme Court and High Court.

Source: [SCR 13-13; operative disposition and costs](#)

05 AKHB REVIEW POINT

Identify who instructs the collecting intermediary, who can alter those instructions and when funds are first received on the taxpayer's behalf. A contractual payment destination or the consignee's name cannot replace that factual agency analysis. Preserve the distinction between receipt and accrual: the headnote's broad title-transfer language should not turn the judgment's reserved question into an additional holding. Later territorial-charge rules and treaty questions require separate consideration.

Source: [SCR 11-13; editorial analysis based on the identified primary passages](#)

ORIGINATING PROCEEDINGS

1.

Case numbers: Misc. Civil Case No. 240 of 1953

Relationship: Nagpur High Court, judgment 23 March 1955

SOURCE & VERIFICATION

Original reported Supreme Court judgment

5-page retained public-mirror SCR report. The complete report was read as text and page images. The acquisition URL is preserved provenance; current endpoint availability and authentication as a signed original are not newly verified. All five physical text and image pages, SCR 9-13. Target caption/docket p 1, Hidayatullah J judgment pp 2-5, allowance and affirmative reference answer p 5. Headnote title-transfer language is read subject to the judgment expressly leaving accrual and a final opinion on reserved disposal undecided. No neighboring case included.

Open cited source rendition

Judgment p 2 describes the company as non-resident yet says it was treated as "resident and ordinarily resident" under section 4(1)(c). This internally anomalous sentence is preserved without adopting a corrected residential-status conclusion.

The reference and operative reasoning concern section 4(1)(a) receipt. Accrual and a final conclusion on reservation of disposal are expressly left open at pp 3-4.

STATUTORY SCOPE

Indian Income-tax Act, 1922; 4(1)(a), 66(1)

In the retained Finance Act 2011 section 5(2)(a), receipt in India by or on behalf of a non-resident remains a separately stated limb, alongside accrual in clause (b). This is a textual comparison of receipt and agency, not verification of residence, treaty relief or later treatment of these transactions.

No 2025 territorial-charge or receipt provision was independently verified for this note; no renumbering, treaty result or present assessment conclusion is asserted.

The historical operative law is identified separately. Only the stated later versions and bounded passages were checked; applicability to a later tax year, transitional savings and comprehensive judicial history remain unverified.

Other provisions addressed: Indian Sale of Goods Act, 1930 (property issue discussed without deciding accrual)

LATER TREATMENT

Source checked 2026-10-08. No specific later judicial treatment adopted except where expressly stated.

No later primary judgment applying Bhopal Textiles to modern bank collection or electronic settlement was verified. P. M. Rathod is the earlier authority used by the target Court, not subsequent treatment.

Earlier cases discussed in the target judgment do not constitute subsequent history.

IDENTIFIED SOURCE LINKS

[Income-tax Act, 1961: bounded provision comparison](#)

DOR-hosted Taxmann compilation labelled as amended by Finance Act 2011. Only the identified statutory passages on these pages plus version p42. Not a current consolidated text, Gazette-original authentication, whole-Act or image review. Text pages read: 72-73.

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