

The Commissioner of Income-tax, West Bengal v. Royal Calcutta Turf Club

Civil Appeal No. 419 of 1958 — Single Supreme Court civil appeal disposed of by the target judgment.

[1961] 2 SCR 729 | 1960-11-28

Running a jockey-training school to preserve the club's commercial racing business was deductible business expenditure; third-party benefits and the absence of direct employment did not defeat the claim.

Indian Income-tax Act, 1922; consequential Business Profits Tax assessment | 1922 Act: 10(2)(xv) | 1922 Act: 66(1)

3 Judges | J. L. Kapur | M. Hidayatullah | J. C. Shah

01 FACTS OF THE CASE

The club conducted race meetings commercially but owned no horses and employed no jockeys. Owners and trainers needed skilled riders for the meetings to succeed. To address the risk of an insufficient supply, the club started a school for Indian jockeys in 1948. The school closed after three unsuccessful years. The club claimed its running expenses for the period ending 31 March 1949. The Tribunal disallowed them, stressing that training was not the club's own business, trained jockeys were free to ride elsewhere and the benefit was enduring. The High Court allowed the claim.

Source: [SCR 730-732; facts and procedural record](#)

02 DISCUSSION BY THE HON'BLE COURT

The Court rejected the argument that the Tribunal's conclusion was an unreviewable factual finding: it had misdirected itself on the statutory business-purpose test. Expenditure need not produce a direct and immediate return or benefit only the payer. Commercially expedient spending to facilitate and preserve the assessee's own business could qualify even when voluntary and advantageous to third parties. Skilled jockeys were essential to attractive, profitable race meetings; ensuring their availability protected the club's business from threatened extinction. The Court distinguished authorities decided under narrower statutory wording or involving expenditure not exclusively for the trader's business. It separately rejected the capital objection because the expense created no asset of an enduring nature.

Source: [SCR 732-736; judicial reasoning; opinion boundaries preserved](#)

03 JUDICIAL DECISION

The school's running expense was wholly and exclusively laid out for the club's business within section 10(2)(xv). The High Court's answer in the assessee's favour was correct. The Business Profits Tax result was consequential upon the income-tax deduction; the Court did not develop a separate exemption or charging analysis for that levy.

Source: [SCR 731-736; holding and expressed limits](#)

04 OUTCOME / IN WHOSE FAVOUR

Revenue's appeal dismissed. The deduction for the disputed jockey-school expenditure stood, with the consequential Business Profits Tax treatment following it. Appeal dismissed with costs.

Source: [SCR 736-736; operative disposition and costs](#)

05 AKHB REVIEW POINT

Show how the expenditure protects the taxpayer's existing business, rather than merely pointing to a desirable industry outcome. The absence of contracts tying the trained jockeys to the club did not sever that commercial connection. Keep business purpose and capital character as separate inquiries. The failed school did not undo the purpose for which spending was incurred, but this fact-specific holding is not a blanket deduction for training, philanthropy or every business-preservation payment.

Source: [SCR 731-736; editorial analysis based on the indicated reasoning](#)

ORIGINATING PROCEEDINGS

1.

Case numbers: Income-tax Reference No. 1 of 1956

Relationship: Calcutta High Court originating reference; judgment 20 August 1957

SOURCE & VERIFICATION

Original reported Supreme Court judgment

8-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 8 pages/SCR729-736, caption/headnote then Kapur J judgment p 2-8; ends above dividing rule p 8. Balakrishna Chetty sales-tax caption/headnote below rule excluded. p 2 reference Rs 61,818 versus p 3 narrative Rs 62,818 preserved.

Open cited source rendition

The referred question on p 2 prints Rs. 61,818; narrative on p 3 prints Rs. 62,818. The note does not choose a corrected amount.

K. R. C. S. Balakrishna Chetty begins below the p 8 dividing rule and is separate.

STATUTORY SCOPE

Indian Income-tax Act, 1922; consequential Business Profits Tax assessment; 10(2)(xv), 66(1)

The official 1961 Act page displayed year 2025. Section 37(1) retains the general test of expenditure wholly and exclusively for business, excluding capital and personal expenditure and items covered by specified deduction provisions. The checked version also contains express exclusions. Royal Calcutta's commercial-purpose reasoning does not dispense with those later conditions when reviewing training expenditure.

The official 2025 Act page displayed year 2026. Section 34(1) contains the general business-expenditure framework with capital, personal and specified-provision exclusions; 34(2)-(3) add express exclusions. This is a bounded textual comparison for business-purpose analysis, not a ruling that the historical jockey-school allowance automatically carries into a later tax year.

The operative historical law is identified separately. Only the stated later statutory versions and passages were checked; comprehensive subsequent history and applicability to a particular later tax year remain unverified.

LATER TREATMENT

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

No later primary application of the precise jockey-school holding has yet been verified. A later general business-expense provision must be compared with its exclusions separately.

Earlier authorities discussed within the target judgment are not treated as later-use evidence.

IDENTIFIED SOURCE LINKS

[Income-tax Act, 1961, section 37](#)

Official departmental page displayed 2025 Header/version; complete substantive sectionlines 63-95 Exact retained passages personally read; no raw officialHTML/PDF, image or whole-Act verification claimed.

[Income-tax Act, 2025, section 34](#)

Official departmental page displayed 2026 Header/version; complete sectionlines 63-73 Exact retained passages personally read; no raw officialHTML/PDF, image or whole-Act verification claimed.

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