

M/s S. C. Cambatta & Co. Private Ltd., Bombay v Commissioner of Excess Profits Tax, Bombay

Civil Appeals 776 and 777 of 1957

[1961] 2 SCR 805 | 1960-11-30

Whether treating goodwill solely as leasehold location value applied the correct legal test, raising a question requiring reference under section 66(2).

Indian Income-tax Act 1922, section 66(1),(2) | Excess Profits Tax Act 1940, sections 8(3),8(5),21

Three-judge bench | J.L. Kapur | M. Hidayatullah | J.C. Shah

Scope and outcome limits

Distinguish valuation findings from an erroneous legal conception of goodwill. This historical reference ruling supports examining all relevant goodwill attributes; it does not establish a prescribed valuation formula or present-day tax deduction.

01 FACTS OF THE CASE

The assessee transferred its Eros Theatre and Restaurant business to a subsidiary. For three chargeable accounting periods ending 31 December 1943–1945, it claimed goodwill as capital for excess-profits-tax computation. An earlier High Court reference required reasonable goodwill value to be allowed. On remand, the Tribunal valued only the benefit attaching to the premises lease at Rs 2 lakhs and declined a further reference.

Source: [Primary report: SCR 806–809](#)

02 DISCUSSION BY THE HON'BLE COURT

Goodwill reflects a combination of location, reputation, service, management, competition and other circumstances. Location matters but is not the whole inquiry. The Tribunal's narrow approach therefore raised a legal question; the High Court should have required a statement of case.

Source: [Primary report: SCR 809–811](#)

03 JUDICIAL DECISION

Civil Appeal 776/1957 was allowed. The High Court was directed to frame a suitable question, obtain the Tribunal's statement and decide according to law. Respondent bears Supreme Court costs; High Court costs follow the result. No order was made in Civil Appeal 777/1957. The Supreme Court did not fix a replacement goodwill valuation.

Source: [Primary report: SCR 811](#)

04 OUTCOME / IN WHOSE FAVOUR

Assessee on obtaining a reference; goodwill valuation not finally decided.

Source: [Primary report: SCR 811](#)

05 AKHB REVIEW POINT

Distinguish valuation findings from an erroneous legal conception of goodwill. This historical reference ruling supports examining all relevant goodwill attributes; it does not establish a prescribed valuation formula or present-day tax deduction.

Source: [Primary report: SCR 809-811](#)

SOURCE & VERIFICATION

[Supreme Court Reports primary scan — public eSCR mirror](#)

SCR 805 title through 811 disposition; PDF 1-7 PDF 1/SCR 805 contains Delhi Stock Exchange ending, already published as sc-1960-11-30-delhi-stock-exchange-admission-fees. Target remains distinct. PDF 7/SCR 811 begins Jestamani Gulabrai Dholkia industrial dispute.

[Open cited source rendition](#)

STATUTORY SCOPE

Historical statutory text and transaction only; no current Income-tax Act or 2025 Act equivalence asserted.

LATER TREATMENT

Source checked 2026-10-18. Subsequent treatment and current-law applicability have not been comprehensively checked.

AI DISCLOSURE

This AKHB research note was prepared with AI assistance from an identified primary report. Independent human review is not represented.

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