

Hoshiarpur Electric Supply Co. v. Commissioner of Income Tax, Simla

Civil Appeal No. 328 of 1960 — Supreme Court certificate appeal under section 66A(2) of the 1922 Act / Civil Reference No. 29 of 1952 — Punjab High Court, Chandigarh, originating reference; order 4 March 1958

[1961] 2 SCR 956 | 1960-12-06

Consumer contributions for installing lasting electricity-service lines were capital receipts; an unspent balance did not become trading profit merely because installation was connected with the electricity business.

1922 Act: 66(1) | 1922 Act: 66A(2)

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

01 FACTS OF THE CASE

In the account year 1 April 1947–31 March 1948, the electricity undertaking received Rs. 12,530 for new consumer connections. It incurred service-line and mains costs, and the appellate tax authorities treated the remaining amount as a taxable profit element. The High Court agreed in a reference under section 66(1) of the Indian Income-tax Act, 1922. Under the then Electricity Act arrangements, consumers were charged for service lines exceeding 100 feet, while the undertaking also had continuing maintenance obligations.

Source: [SCR 957-959: reference, account period, contributions and accounting.](#)

02 DISCUSSION BY THE HON'BLE COURT

The Supreme Court separated ownership from the nature of the receipt. The Tribunal had made no ownership finding, so the High Court could not determine that mixed factual and legal issue by exercising an appellate function within its advisory jurisdiction. Nevertheless, the receipt could be classified without deciding ownership. Consumer contributions directly recouped expenditure on an asset of lasting character, integrated with the distribution mains. They also supported continuing inspection, repairs and replacement. The fact that installation was connected with the company's business did not convert an excess over immediate expenditure into trading income. Accounting classification in prescribed forms was not decisive. Poona Electric and Monghyr Electric supported capital characterization.

Source: [SCR 959-962: advisory limits and character of capital contributions.](#)

03 JUDICIAL DECISION

The entire contribution retained its capital nature, including the unspent balance. The Court rejected the assumed taxable profit element and answered the referred question in the negative. It did not decide title to the service lines, establish a corrected amount of surplus, or treat every payment received by an electricity supplier as capital.

Source: [SCR 962 target concluding paragraphs.](#)

04 OUTCOME / IN WHOSE FAVOUR

Assessee appeal allowed; reference answered negatively. The challenged service-connection excess was not taxable as a trading receipt on these facts. Assessee awarded costs in the Supreme Court and High Court.

Source: [SCR 962 appeal/costs before Manna Lal caption.](#)

05 AKHB REVIEW POINT

Examine the payment's object, the enduring asset and associated obligations before treating cash retained as profit. Ownership and depreciation-cost treatment are separate questions requiring their own findings and statutory rules. The decision applies the historical regime and the particular connection arrangement; it is no universal exclusion for capital-linked receipts under subsequent charging or subsidy provisions.

Source: [SCR 959-961: ownership left undecided and character of receipt.](#)

SOURCE & VERIFICATIONOriginal reported Supreme Court judgment

7-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 7 physical text/image pages/SCR 956-962. Caption begins physical 1 about 55 percent down below Abdullahhai disposal; target opinion starts physical 2 middle and ends physical 7 Appeal allowed about 56 percent down above separator. Exclude Abdullahhai bad-debt/capital-loss discussion and Revenue costs/disposition at physical page 1 top plus its Hagart footnote bottom; exclude Shri Manna Lal public-demand caption/date 7 December/coram/headnote p 7 lower part. Hoshiarpur judgment date 6 December 1960. Source amount 5929 described as expenditure 958/960 but taxable amount 959; no corrected net amount invented. Asset ownership not adjudicated.

Open cited source rendition

Physical 1 begins with Abdullahhai's bad-debt conclusion and includes its bottom footnote; physical 7 ends with Shri Manna Lal public-demand material. Exclude both neighbors, including Manna Lal's 7 December date.

Rs. 5,929 is expenditure at SCR 958/960 but described as taxable income at SCR 959. No corrected net surplus or assessment year is invented.

STATUTORY SCOPE

Indian Income-tax Act, 1922; 66(1), 66A(2)

Displayed 2025 section 28(i) charges profits and gains of a business or profession carried on during the previous year. Hoshiarpur's receipt-character analysis is relevant background, but the selected text does not establish every later charging, subsidy or depreciation-cost consequence.

Section 26(1),(2)(a) supplies the business-income charge. Whether a present consumer contribution is taxable requires its terms and any other applicable provision; this historical capital classification is not a blanket modern exemption.

The judgment applies the historical 1922 Act. The 2025 Act generally commenced 1 April 2026. Selected section 536(1), (2)(a)-(e), (3)-(4) preserve earlier operation and specified proceedings. Only identified versions and passages were checked; applicability to a current assessment requires its tax year, savings and full governing law.

LATER TREATMENT

Source checked 2026-10-08. No specific later judicial treatment is adopted; this is not a finding that later treatment is absent.

Comprehensive subsequent history and present-law applicability remain unverified.

Primary authorities cited within this judgment are not later-use evidence.

IDENTIFIED SOURCE LINKS

[Income-tax Act, 1961: 28\(i\)](#)

Official Income-tax Act, 1961 page displayed year 2025 Header/version 38-58; opening and 28(i)63-70. Only stated official web-extracted text personally read. No original HTML/PDF integrity, PDF images, entire Act or comprehensive current-law claim.

[Income-tax Act, 2025: 26\(1\),\(2\)\(a\)](#)

As amended by Finance Act, 2026 Web 2190-2194, including 2193 cross-page continuation. Only stated official web-extracted text personally read. No original HTML/PDF integrity, PDF images, entire Act or comprehensive current-law claim.

[Income-tax Act, 2025: commencement and selected savings](#)

As amended by Finance Act, 2026 Title/version and section1(1)-(3), web0-13; section536(1),(2)(a)-(e), web24385-24408; section536(3)-(4), web24597-24601. Selected savings only, not full section536. Only stated official web-extracted text personally read. No original HTML/PDF integrity, PDF images, entire Act or comprehensive current-law claim.

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