

R. G. S. Naidu and Co. v. Commissioner of Income-tax and Excess Profits Tax, Madras (and connected appeals)

Civil Appeal Nos. 181-184 of 1960 — Four Supreme Court appeals by certificate under section 66A(2) of the 1922 Act read with EPT section 21. Individual docket-to-assessment allocation is not printed; the judicial opening and two argued questions identify the EPT issues. and connected proceedings (full list below)

[1961] 3 SCR 271 | 1960-12-14

The EPT officer could reopen the underassessment caused by mismatched accounting periods and apportion managing-agency commission under the express contract-performance rule despite annual payment and cash accounting.

Excess Profits Tax Act, 1940; related Indian Income-tax Act, 1922 proceedings | 1922 Act: 34 | 1922 Act: 66(1) | 1922 Act: 66A(2)

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

01 FACTS OF THE CASE

The express excess-profits-tax apportionment rule governed the managing-agency commission. The appellants' accounting year ended in March, the managed company's in June and the earlier agency company's in September. Their remuneration included an office allowance and commissions on profits, purchases and capital expenditure. They maintained cash-basis books and credited commission after the company closed its accounts. Initial assessment followed their returns without matching commission to the excess-profits-tax periods. The officer reopened and apportioned receipts between the relevant periods; related income-tax adjustments also appeared in the record. After the appellate authorities upheld the assessments, four questions were referred to the High Court. The Supreme Court addressed reopening and rule 9 apportionment in four appeals.

Source: [SCR 272-275; target passages only; shared-page exclusions recorded in read bounds.](#)

02 DISCUSSION BY THE HON'BLE COURT

Section 15 permitted action where definite information disclosed escaped or underassessed profits. The original computation mistakenly assumed that the company's year and the chargeable accounting period coincided, producing underassessment. The Court upheld reopening under that historical provision, which it compared with pre-1948 section 34(1). Rule 9 then required attribution of profits from a contract whose performance extended beyond an accounting period, having regard to performance within each period, unless special circumstances justified a contrary direction. Its general language was not confined to engineering or works contracts. Although remuneration became payable annually, the managing agents performed duties throughout the year; the parties accepted annual treatment of the twenty-year agency for this purpose. A percentage commission and the usual absence of a managing agent's loss did not exclude the rule.

Source: [SCR 275-279; target passages only; shared-page exclusions recorded in read bounds.](#)

03 JUDICIAL DECISION

The statutory apportionment was proper. E. D. Sassoon concerned whether income had accrued to transferors who did not receive the commission, under entire contracts requiring completed service. It did not apply a provision comparable to EPT rule9 to income received by the assessee, and therefore did not control this case.

Source: [SCR 276-279; target passages only; shared-page exclusions recorded in read_bounds.](#)

04 OUTCOME / IN WHOSE FAVOUR

All four assessee appeals dismissed. The High Court's decision sustaining the challenged reopening and commission apportionment remained effective. Costs awarded; one hearing fee.

Source: [SCR 279-279; target passages only; shared-page exclusions recorded in read_bounds.](#)

05 AKHB REVIEW POINT

Separate contractual accrual, actual receipt and an express statutory allocation rule. This case applies the last of those and cannot independently justify time-apportioning every annual fee under later income-tax law. Its reopening analysis is equally tied to historical section15 and the error actually identified; it does not authorize a modern reassessment merely because an officer revises an earlier view. The dissent described in the account of E. D. Sassoon belongs to that earlier case, not this unanimous judgment.

Source: [SCR 276-279; target passages only; shared-page exclusions recorded in read_bounds.](#)

APPEAL AND PROCEEDING NUMBERS

Civil Appeal Nos. 181-184 of 1960 — Four Supreme Court appeals by certificate under section66A(2) of the1922Act read with EPT section21. Individual docket-to-assessment allocation is not printed; the judicial opening and two argued questions identify the EPT issues.

ORIGINATING PROCEEDINGS

1.

Case numbers: Case Referred No. 43 of 1950

Relationship: Madras High Court judgment and order dated16March1955; four questions referred, two issues argued in the Supreme Court.

SOURCE & VERIFICATION

Original reported Supreme Court judgment

9-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 nine physical text and image pages, SCR271-279. Target begins below Bayyana Bhimayya sales-tax conclusion p1 and ends above Travancore Rubber agricultural-tax caption/headnote p9; both excluded. Caption/coram/date p1; Civil Appeals181-184of1960 and Madras Case Referred43of1950 p2; single Shah J opinion pp2-9. Jagannadhadas J dissent described at p8 belongs only to cited E.D.Sassoon, not this judgment. Four High Court questions p5 reduced to two arguments here; operative reasoning specifically EPT section15 and ScheduleI rule9. Printed July11,1945 agreement and earlier receipt periods retained without reconstructing unstated effective date; printed monetary tables not recast as verified arithmetic. The bottom [1955]1SCR313 footnote on p9 belongs to the target Sassoon citation despite lying below next-case headnote.

Open cited source rendition

Top of p1 concludes Bayyana Bhimayya v. Government of Andhra Pradesh; lower p9 begins Travancore Rubber and Tea Co.; both excluded.

The source dates the agreement 11 July 1945 while describing direct remuneration from 1 October 1944; no unstated effective-date term is reconstructed.

Page 7 discusses the company year 1 July 1945–30 June 1946, while earlier apportionment facts include 1 October 1944–30 June 1945; these distinct printed periods are not collapsed into one.

Page 4 labels amounts income-tax/loss and EPT while p5 gives referred commission figures; the note does not recalculate tax or equate those differently labelled amounts.

Jagannadhadas J dissent on p8 is in cited E.D.Sassoon; the target has one Shah J judgment for the three-judge bench.

The bottom footnote [1955] 1 SCR 313 on p9 belongs to the target E.D.Sassoon citation despite lying below the next case headnote; retained as target citation context only.

STATUTORY SCOPE

Excess Profits Tax Act, 1940; related Indian Income-tax Act, 1922 proceedings; 34, 66(1), 66A(2), Excess Profits Tax Act, 1940, sections 2(19), 13, 15, 21; Schedule I rule 9

The official section 147 page labelled 2026 makes reassessment subject to sections 148–153. That is a distinct statutory gateway; this judgment's comparison concerned section 34 before its 1948 amendment. No present section 147 permission or modern equivalent to EPT rule 9 is inferred.

Sections 279–281, Finance Act 2026 version, prescribe a separate reassessment framework. No equivalence with old EPT section 15 or automatic continuation of rule 9 apportionment is asserted.

Historical operative law is separate from the stated bounded later versions. Tax-year applicability, unexamined conditions, complete transition provisions and comprehensive subsequent judicial treatment remain unverified.

Other provisions addressed: Excess Profits Tax Act, 1940, sections 2(19), 13, 15, 21; Schedule I rule 9

LATER TREATMENT

Source checked 2026-10-08. No specific subsequent judicial treatment independently verified for this note.

E. D. Sassoon is an earlier case distinguished here, not subsequent treatment. No later case-specific judicial use was independently verified.

Earlier authorities in the target are not later treatment. No exhaustive citator or current precedential-status conclusion.

IDENTIFIED SOURCE LINKS

[Income-tax Act, 1961 section 147](#)

Official departmental provision page labelled 2026 The official section 147 page labelled 2026 makes reassessment subject to sections 148–153. That is a distinct statutory gateway; this judgment's comparison concerned section 34 before its 1948 amendment. No present section 147 permission or modern equivalent to EPT rule 9 is inferred. Actual bounded extracted-text reading; capture hash is not a hash of the remote PDF/HTML; no source-image or whole-Act claim.

[Income-tax Act, 2025 bounded provisions](#)

Official compilation as amended by Finance Act 2026 Sections 279–281, Finance Act 2026 version, prescribe a separate reassessment framework. No equivalence with old EPT section 15 or automatic continuation of rule 9 apportionment is asserted. Actual bounded extracted-text reading; capture hash is not a hash of the remote PDF/HTML; no source-image or whole-Act claim.

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