

Dharamvir Dhir v. Commissioner of Income-tax, Bihar and Orissa

Civil Appeals Nos. 448 and 449 of 1959

[1961] 3 SCR 359 | 1961-01-05

Commercial expediency: profit-linked consideration for unsecured business finance was deductible on the proved facts.

Indian Income-tax Act, 1922: sections 10(2)(iii), 10(2)(xv) and 66(2)

3-judge bench; unanimous judgment delivered by J. L. Kapur, J. | J. L. Kapur, J. | M. Hidayatullah, J. | J. C. Shah, J.

Assessment years: 1947-48, 1948-49

Historical statutory setting

Historical 1922 Act commercial-expediency ruling; no present transfer-pricing, anti-avoidance or current-law clearance.

Source and scope caution

The catalogue date 5 December 1961 conflicts with the signed report date 5 January 1961; the signed judgment controls.

Additional scope caution

The catalogue lists only CA 448/1959; the judgment covers CAs 448 and 449/1959.

No current-law clearance

Later judicial treatment and current statutory applicability have not been comprehensively checked; no current-law or citator clearance is represented.

01 FACTS OF THE CASE

To perform a coal-raising contract, the comparatively small-means assessee obtained unsecured finance up to Rs.1.5 lakh from a charitable trust in exchange for interest plus 11/16 of net business profits. The profit-linked payments for two years were disallowed below (SCR pp.360-364; PDF pp.2-6).

Source: [Primary judgment: facts](#)

02 DISCUSSION BY THE HON'BLE COURT

The genuine contract and commercial circumstances controlled, not accounting labels or payment size. An antecedent obligation enabling profit earning differed from division of profits after ascertainment. No better finance was shown available, and commercial expediency supported deduction (SCR pp.363-370; PDF pp.5-12).

Source: [Primary judgment: discussion](#)

03 JUDICIAL DECISION

Both appeals were allowed; the High Court orders set aside and the questions answered for the assessee with costs in both courts, one hearing fee (SCR pp.370-371; PDF pp.12-13).

Source: [Primary judgment: decision](#)

04 OUTCOME / IN WHOSE FAVOUR

In favour of the assessee on the profit-linked financing deductions (SCR pp.370-371; PDF pp.12-13).

Source: [Primary judgment: outcome](#)

05 AKHB REVIEW POINT

AKHB analysis: determine commercial character from the genuine financing agreement, security, alternatives, lender exposure and whether the obligation preceded and enabled profit earning. The fact-bound result does not make every profit-sharing or related-party payment deductible.

Source: [Primary judgment: review point](#)

SOURCE & VERIFICATION

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

Full 13-page SCR asset read and visually inspected; the following report fragment on physical p.13 was excluded.

[Open cited source rendition](#)

Catalogue source 1961_3_359_371: SHA-256

4a6ab82181cdc43d4288fbbd078a6d9d00e7a89dc6de0f14b8bdd9c73c3644de, 13 pages, read and visually inspected in full.

The published original preserves the exact catalogue bytes and verified hash.

The source verifies identity, bench, provisions, opinion structure and operative order.

No exact source-hash, asset-ID, SCR-citation, docket or same-judgment publication match was found.

STATUTORY SCOPE

Historical 1922 Act commercial-expediency ruling; no present transfer-pricing, anti-avoidance or current-law clearance.

LATER TREATMENT

Source checked 2026-10-11. Later judicial treatment and current statutory applicability have not been comprehensively checked; no current-law or citator clearance is represented.

AI DISCLOSURE

This AKHB research note was prepared with AI assistance from the identified primary report and has not been represented as independently human-reviewed.

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General legal and tax research only; not legal or tax advice. Verify the original judgment, the governing historical statute and subsequent judicial treatment before reliance. The AKHB REVIEW POINT is editorial analysis, not the Court's holding, and no current-law clearance is claimed.