

Senairam Doongarmall v. Commissioner of Income-tax, Assam

Civil Appeal No. 535 of 1958 — Supreme Court certificate appeal / I.T.R. No. 1 of 1954 — Assam High Court originating reference; two accompanying writ petitions are mentioned without numbers

[1962] 1 SCR 257 | 1961-03-13

Compensation for requisition that stopped the tea business altogether was not business profit under section 10; measuring it by anticipated output did not determine its character.

1922 Act: 6 | 1922 Act: 9 | 1922 Act: 10 | 1922 Act: 66(1) | 1922 Act: 66A(2)

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

01 FACTS OF THE CASE

The HUF owned Sewpur Tea Estate, with tea gardens, factories and staff and labour buildings. Military requisition in 1942 deprived it of the factories and premises until 1945. It tended the gardens to preserve the plants but entirely stopped manufacturing tea. Compensation for 1944 and 1945 totalled ₹2,22,080 and ₹2,46,794, including repair payments admitted to be capital. The reference concerned the sums excluding those repairs, ₹2,12,080 and ₹2,31,563, and whether any taxable element remained or agricultural-income apportionment applied.

Source: [SCR258-261: requisition, compensation and questions.](#)

02 DISCUSSION BY THE HON'BLE COURT

Hidayatullah J distinguished preserving raw material from carrying on the integrated business of growing and manufacturing saleable tea. The compensation's calculation by expected tea production did not turn it into trading income: the decisive question was what the payment replaced. Reviewing English and Indian decisions, the Court warned against transferring conclusions without their statutory and factual setting. Payments replacing profits of a continuing business, contractual adjustments, or proceeds of compulsory sales differed from compensation for stopping this business as a whole. The injury was not described simply as destruction of a specific capital asset; the entire business structure had ceased functioning during the relevant years.

Source: [SCR261-262 and 274-277: character/measure and stopped business.](#)

03 JUDICIAL DECISION

The receipts could not be profits of business under section 10 because no such business was carried on. The first question was answered "no"; the agricultural-income question did not arise, and Rules 23 and 24 could not apportion a receipt that was not business profit. The Court expressly declined to decide section 9 property-income treatment, which had not been the Department's case.

Source: [SCR277-278: section10 and unanswered section9 issue.](#)

04 OUTCOME / IN WHOSE FAVOUR

Assessee appeal allowed. The compensation was not assessable as the business income claimed in these assessments. Costs in the Supreme Court and High Court.

Source: [SCR278 lowerhalf: questions and costs.](#)

05 AKHB REVIEW POINT

Examine the actual activity that survived and the injury compensated, not merely a profits-based valuation formula. A temporary requisition can have different consequences for different businesses. Preserve the Court's express reservation on property income and test later statutory compensation charges before using this historical result.

Source: [SCR262,275-278: factual and charging limits.](#)

SOURCE & VERIFICATIONOriginal reported Supreme Court judgment

22-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. All22physical text/image pages SCR257-278. Caption/headnote physical 1; jurisdiction, date/opinion opening physical 2 SCR258 upper-middle; Hidayatullah opinion ends physical 22 SCR278 lower-middle, appeal allowed costs here/High Court. No neighboring judgment. Authorities discussed/quoted throughout belong to comparative reasoning, not additional target decisions. The Court declines section 9 property-income question and answers revenue Q1 no, Q2 unnecessary; not categorical taxation exemption under every head.

Open cited source rendition

The reference at SCR 260 describes payment in 1945/1946, whereas narrative SCR 258 describes 1944/1945 compensation years and corresponding AY 1945-46/1946-47; these are not silently collapsed.

STATUTORY SCOPE

Indian Income-tax Act,1922; 6, 9, 10, 66(1), 66A(2)

Displayed 2025 section 28(i) charges business profits, but 28(ii)(d) and (e) also expressly address specified governmental vesting-of-management and contract-termination/modification compensation. Whether a modern requisition meets any such charge requires analysis of its actual legal effect.

2025 section 26(2)(a) concerns business profits, 26(2)(b)(iii) business-contract compensation and 26(2)(c) governmental vesting of management. Senairam alone cannot determine a modern receipt's chargeability under these distinct provisions.

The holding applies the historical 1922 Act. The 2025 Act generally commences 1 April 2026; selected 536(1), (2)(a)-(e), (3)-(4) preserve earlier operation and specified proceedings. Only identified versions/passages were checked; no complete savings, amendment-history or present-case applicability assessment is claimed.

LATER TREATMENT

Source checked 2026-10-08. Manna Ramji (29 August 1972), SCR 1073C-F, expressly approves Senairam's distinction between the quality of payment and its measure. At 1073G-1074C it distinguishes Senairam because the timber business continued, though on a reduced scale. It treats that compensation as revenue; it does not overrule the stopped-business holding.

Only the identified later judgment was checked for this bounded use. Comprehensive subsequent history and present-case applicability remain unverified.

All 9 text/images SCR 1068-1076; Khanna judgment physical 2 SCR 1069C to 9/1076B. Senairam quality/measure expressly approved physical 6/1073C-F; factual distinction stopped tea manufacture v continued timber business physical 6-7/1073G-1074C. Appeal allowed, taxable compensation 105074, own costs both courts; not overruling Senairam.

IDENTIFIED SOURCE LINKS

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

Displayed 2025 Web 67-78, business profits/selected compensation clauses. Exact stated web text personally read, including cross-page continuations. No original HTML/PDF or images, whole-Act or automatic case-applicability claim.

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

As amended by Finance Act, 2026 Web 2190-2208, including cross-page 2193. Exact stated web text personally read, including cross-page continuations. No original HTML/PDF or images, whole-Act or automatic case-applicability claim.

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

As amended by Finance Act, 2026 1(1)-(3) web 0-13; 536(1), (2) intro/(a)-(e) web 24385-24408; 536(3)-(4) 24597-24601. Not full 536. Exact stated web text personally read, including cross-page continuations. No original HTML/PDF or images, whole-Act or automatic case-applicability claim.

[Commissioner of Income-tax, Poona v. M/s. Manna Ramji & Co. — \[1973\] 1 SCR 1068](#)

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