

Rajputana Textiles (Agencies) Ltd. v. Commissioner of Income-tax, Bombay City

Civil Appeal No. 282 of 1955

[1962] 1 SCR 917 | 1961-04-12

Shares bought with prearranged resale to finance a managing-agency acquisition: the resale surplus was a trading profit.

Taxation on Income (Investigation Commission) Act, 1947: section 8(5) | Indian Income-tax Act, 1922: sections 4(3)(vii) and 66(2) | Constitution of India: Article 14 (new challenge not entertained)

5-judge bench; unanimous judgment delivered by J. L. Kapur, J. | S. K. Das, J. | J. L. Kapur, J. | M. Hidayatullah, J. | J. C. Shah, J. | T. L. Venkatarama Aiyar, J.

Assessment years: 1945-46

Historical statutory setting

Historical 1922 Act and Investigation Commission reference; present capital-gains, securities and appellate provisions require separate review.

Source and scope caution

The following Gobald Motor Service report begins on physical p.13 and is not part of this tax judgment.

Additional scope caution

The Court declined the new Article 14 argument on the limits of advisory jurisdiction; it did not adjudicate constitutional validity.

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

The company, capitalised at Rs.20 lakh, acquired the Apollo Mills managing agency and 19,76,000 shares from Sassoons under linked agreements. Before purchase, its promoters arranged resale of much of the holding to finance completion. Sale of 13,74,000 shares produced a Rs.16,52,600 surplus; about six lakh shares were retained to support the agency. The Investigation Commission treated the resale as trade for assessment year 1945-46, and the High Court upheld that conclusion (SCR pp.919-923; PDF pp.3-7).

Source: [Primary judgment: facts](#)

02 DISCUSSION BY THE HON'BLE COURT

The Court assessed the total circumstances and intention at acquisition, treating the legal character of the transaction as a mixed question of law and fact. Prearranged resale, limited holding capacity and separately priced agency and shares distinguished investment cases. Acquiring an enduring agency did not turn the shares deliberately acquired for resale into an investment. The company objects were relevant but not decisive. The Court answered even the original, wider referred question against the assessee; no ruling approving the High Court's narrowing was needed (SCR pp.923-928; PDF pp.7-12).

Source: [Primary judgment: discussion](#)

03 JUDICIAL DECISION

The appeal was dismissed with costs. The surplus on the shares sold was profit from an adventure in the nature of trade. Other proposed questions were covered or did not arise, and the late notice of motion lacked a condonation application. A new Article 14 challenge could not be introduced within this advisory-reference appeal (SCR pp.921, 928-929; PDF pp.5,12-13).

Source: [Primary judgment: decision](#)

04 OUTCOME / IN WHOSE FAVOUR

In favour of Revenue: the Rs.16,52,600 surplus remained taxable trading profit. The Court did not declare the Article 14 challenge meritless; it declined to entertain it in these proceedings (SCR pp.928-929; PDF pp.12-13).

Source: [Primary judgment: outcome](#)

05 AKHB REVIEW POINT

AKHB analysis: distinguish shares intended for retention from shares committed to resale at acquisition, even within a single financing arrangement. Contemporaneous broker arrangements, available capital and separately agreed prices can reveal the character of the particular block sold. Preserve reference issues and limitation compliance before appeal.

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

SOURCE & VERIFICATION

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

Full 13-page SCR asset read in page-preserving text and rendered/viewed; judicial reasons occupy PDF pp.2-13 / SCR pp.918-929. Following Gobald Motor report material on physical p.13 excluded. Identity, signed date, bench and docket verified; no same-party, docket, source-hash or standalone judgment match in current publication records.

[Open cited source rendition](#)

Catalogue source 1962_1_917_929: SHA-256

5646228a21af85140002d533ffe8da7a4e9ec402496e8ebf6fc582f14d9a98c3, 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 and Investigation Commission reference; present capital-gains, securities and appellate provisions require separate review.

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.