

Karanpura Development Co. Ltd. v. Commissioner of Income-tax, West Bengal

Civil Appeals Nos. 376 to 379 of 1960

[1962] 3 SCR 368 | 1961-08-31

Business receipts: salami on developed mining subleases was trading profit where the leases were commercially turned to account.

Indian Income-tax Act, 1922: sections 2(4), 3, 4(1), 6, 9, 10 and 66A(2) | Business Profits Tax Act: section 19 and chargeable accounting periods in 1948-1949

3-judge bench; unanimous judgment delivered by M. Hidayatullah, J. | P. B. Gajendragadkar, J. | K. Subba Rao, J. | M. Hidayatullah, J.

Assessment years: 1949-50, 1950-51

Historical statutory setting

Historical 1922 Act and Business Profits Tax Act classification; no present capital-gains, property-income or mining-law clearance.

Source and scope caution

The catalogue lists only Civil Appeal No.376 of 1960; the signed report covers Civil Appeals Nos.376 to 379 of 1960.

Additional scope caution

The final physical page also begins the unrelated Andhra Bank v. R. Srinivasan report; it is not part of this holding.

Additional scope caution

Enhanced royalties were admitted taxable and were outside the disputed salami issue.

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 acquired long-term coal-mining rights, developed the fields and granted numerous subleases, receiving salami at Rs.400 per standard bigha after paying Rs.40 under its head leases. It did not itself mine or trade coal. In two income-tax years and two business-profits-tax periods it contested the salami profit as capital realization; enhanced royalties were admitted taxable (SCR pp.369-373; PDF pp.2-6).

Source: [Primary judgment: facts](#)

02 DISCUSSION BY THE HON'BLE COURT

The Court distinguished investment realization from business profit by the company's objects and actual operations, rather than corporate form or the label salami. A receipt capital in a landowner's hands need not remain capital in a trader's hands. Repeated acquisition, development, parcelling and profitable subletting made the mining rights a kind of stock-in-trade; retention of a remote reversion did not alter the trading operation. Mere ownership and rent collection remained distinguishable (SCR pp.374-390; PDF pp.7-23).

Source: [Primary judgment: discussion](#)

03 JUDICIAL DECISION

All four appeals were dismissed with costs. The High Court's answer that the salami receipts were trading receipts, with the profit assessable, was affirmed (SCR pp.390-391; PDF pp.23-24).

Source: [Primary judgment: decision](#)

04 OUTCOME / IN WHOSE FAVOUR

In favour of Revenue on salami profit under income tax and business profits tax. The ruling did not decide the admitted taxability of enhanced royalties as a contested issue (SCR pp.369, 372, 390-391; PDF pp.2, 5, 23-24).

Source: [Primary judgment: outcome](#)

05 AKHB REVIEW POINT

AKHB analysis: build the classification from acquisition purpose, development, repeated disposals and reinvestment, and distinguish passive rental enjoyment from commercial dealing in property rights. A company's objects are relevant alongside its proved activities; neither incorporation nor a broad power to sell automatically establishes trading.

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

SOURCE & VERIFICATION

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

Full 24-page SCR asset read in page-preserving text and visually inspected. The Karanpura judgment ends at the top of PDF p.24; the following Andhra Bank headnote was excluded.

[Open cited source rendition](#)

Catalogue source 1962_3_368_391: SHA-256

72a1a9cbdc82b4a9cc2cb7e5b173d1eea326fb33073fe77f4b500b446ecbc959, 24 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 Business Profits Tax Act classification; no present capital-gains, property-income or mining-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.

PROFESSIONAL DISCLAIMER

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.