

Commissioner of Income-tax, Delhi and Rajasthan v. M/s National Finance Ltd.

Civil Appeal No. 559 of 1960

[1962] Supp. 2 SCR 865 | 1962-01-29

Share loss classification: acquisition for enduring control and agency rights was capital despite the taxpayer's share-dealing business.

Indian Income-tax Act, 1922: section 66(3) | Historical capital-loss versus trading-loss classification

3-judge bench; unanimous judgment delivered by M. Hidayatullah, J. | S. K. Das, J. | M. Hidayatullah, J. | J. C. Shah, J.

Assessment years: 1951-52

Historical statutory setting

Historical managing-agency and 1922 Act setting; no current company-law, anti-avoidance or loss-treatment clearance.

Source and scope caution

The report inconsistently states the claimed loss as Rs.5,48,712-8-0 and Rs.5,86,312/Rs.5,86,312-8-0; no correction is invented.

Additional scope caution

The report contains an impossible internal transaction chronology and one opening sentence inconsistent with its repeated account of the Tribunal result.

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

A commonly controlled group acquired about 80% of Madhusudan Mills at a large premium, changed its board and obtained a profitable purchasing and selling agency for National Finance. National Finance later sold 3,000 shares within the group and claimed the loss as trading loss (SCR pp.870-876; PDF pp.6-12).

Source: [Primary judgment: facts](#)

02 DISCUSSION BY THE HON'BLE COURT

The real commercial intention governed. The premium, control, agency benefit, coordinated group financing and non-market disposals showed an enduring capital purpose rather than ordinary stock-in-trade. Exceptional circumstances also justified the direct merits appeal despite a separate one-day reference delay (SCR pp.867-883; PDF pp.3-19).

Source: [Primary judgment: discussion](#)

03 JUDICIAL DECISION

Revenue's appeal was allowed with costs; the claimed loss on the 3,000 shares could not be set off as a trading loss (SCR p.883; PDF p.19).

Source: [Primary judgment: decision](#)

04 OUTCOME / IN WHOSE FAVOUR

In favour of Revenue on a final capital-account classification (SCR pp.876-883; PDF pp.12-19).

Source: [Primary judgment: outcome](#)

05 AKHB REVIEW POINT

AKHB analysis: classify a controlling share block by contemporaneous commercial object, including premium, control, agency rights, financing flows and disposal pattern. The case does not erase corporate separateness or make every controlling block capital.

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

SOURCE & VERIFICATION

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

Full 19-page SCR asset read and visually inspected; the next report beginning on physical p.19 was excluded.

[Open cited source rendition](#)

Catalogue source S_1962_2_865_883: SHA-256

e7db17663780efa6f6fc76f8a6eaae99e5b84111ae40601be9c83d4f43c72868, 19 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 managing-agency and 1922 Act setting; no current company-law, anti-avoidance or loss-treatment 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.