

K. M. S. Reddy, Commissioner of Income-tax, Kerala v West Coast Chemicals and Industries Ltd. (in liquidation)

Civil Appeal 286 of 1961

[1962] Supp 3 SCR 960 | 1962-03-20

Whether the raw-material component of the overall transfer represented taxable trading income or capital realisation in winding up the match business.

Travancore Income-tax Act, section 25; historical business-profit characterisation

Three-judge bench | S.K. Das | M. Hidayatullah | J.C. Shah

Scope and outcome limits

Determine the factual character of the sale and whose business continued. This is not authority that all liquidation or going-concern sales are tax-free, and no present-day slump-sale, capital-gains or statutory deeming conclusion is asserted.

01 FACTS OF THE CASE

A match manufacturer agreed in 1943 to sell its factory assets, initially excluding chemicals and raw materials. A later agreement included those items for a higher total price. Revenue reopened assessment under section 25 of the Travancore Income-tax Act and treated Rs 1,15,259 as trading profit. The Tribunal accepted Revenue's position; the Kerala High Court held the transaction a realisation sale.

Source: [Primary report: SCR 962-965](#)

02 DISCUSSION BY THE HON'BLE COURT

The relevant distinction was trading activity versus realisation of assets, not merely a higher receipt. The company operated temporarily on the purchaser's behalf, not for itself. Two trivial chemical sales did not prove sustained chemical trading, and the memorandum's power to sell chemicals was insufficient. No separate chemical price could be identified merely by comparing the successive agreements. On these facts, the sale closed the business and realised capital assets.

Source: [Primary report: SCR 965-972](#)

03 JUDICIAL DECISION

The Revenue's appeal failed and was dismissed with costs. The challenged sum was not assessable as business trading profit in this transaction.

Source: [Primary report: SCR 972-973](#)

04 OUTCOME / IN WHOSE FAVOUR

Assessee on historical trading-profit characterisation; no general exemption for business sales.

Source: [Primary report: SCR 972-973](#)

05 AKHB REVIEW POINT

Determine the factual character of the sale and whose business continued. This is not authority that all liquidation or going-concern sales are tax-free, and no present-day slump-sale, capital-gains or statutory deeming conclusion is asserted.

Source: [Primary report: SCR 965-973](#)

SOURCE & VERIFICATION

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

SCR 960 caption through 973 disposition; PDF 1-14; judgment starts SCR 961 SCR 960 begins ending of Maharaj Jagat Bahadur Singh v Badri Prasad Seth, not target. SCR 973 begins Madanlal Fakirchand Dudhediya company commission case.

[Open cited source rendition](#)

STATUTORY SCOPE

Historical statutory text and transaction only; no current Income-tax Act or 2025 Act equivalence asserted.

LATER TREATMENT

Source checked 2026-10-18. Subsequent treatment and current-law applicability have not been comprehensively checked.

AI DISCLOSURE

This AKHB research note was prepared with AI assistance from an identified primary report. Independent human review is not represented.

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