

A. V. Thomas & Co. Ltd., Alleppey v. Commissioner of Income-tax, (Bangalore) Kerala

Civil Appeal No. 214 of 1962

[1963] Supp. 1 SCR 776 | 1962-10-25

Whether an unrecovered advance for acquiring shares and an expected agency was deductible as a bad debt or business expenditure under the 1922 Act

Indian Income-tax Act, 1922: sections 10(2)(xi) and 10(2)(xv) | Indian Income-tax Act, 1922: section 66 (reference procedure)

Three-judge bench; judgment delivered by M. Hidayatullah, J. | J. L. Kapur, J. | M. Hidayatullah, J. | J. C. Shah, J.

Historical ruling; verify current law

The ruling applies the repealed 1922 Act. It did not decide a separately framed section 10(1) business-loss question and does not establish present deductibility of every failed investment or advance.

01 FACTS OF THE CASE

The assessee advanced Rs.6,05,071-8-6 through another company in 1948 toward 6,000 shares in a proposed textile company, expecting also to secure an agency. The promotion failed; no shares were applied for or acquired. Rs.2 lakh was repaid in 1951 and the balance Rs.4,05,071-8-6 was written off for assessment year 1952-53.

Source: [Primary judgment: facts and procedural setting](#)

02 DISCUSSION BY THE HON'BLE COURT

The Court confined the appeal to clauses (xi) and (xv) because the High Court had not referred a section 10(1) business-loss issue. The contemporary ledger and chairman's statement showed a capital purpose: acquiring shares and the enduring advantage of an agency. For bad-debt relief, the unrecovered amount had to be a trading debt which, if recovered, would have swelled profits; a purchase advance did not satisfy that test.

Source: [Primary judgment: reasoning](#)

03 JUDICIAL DECISION

The capital-purpose advance was not allowable expenditure under section 10(2)(xv), was in any event spent in 1948 rather than the relevant account year, and was not a bad debt under section 10(2)(xi).

Source: [Primary judgment: holdings](#)

04 OUTCOME / IN WHOSE FAVOUR

Appeal dismissed with costs payable by the assessee company.

Source: [Primary judgment: operative disposition](#)

05 AKHB REVIEW POINT

AKHB analysis: establish the original purpose and accounting character of an advance before treating non-recovery as a bad debt. Memorandum objects and later book relabelling do not replace transaction evidence; also preserve the Court's express procedural limit excluding the un-referred business-loss ground.

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

SOURCE & VERIFICATION

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

Complete 14-page SCR report read in page-preserving text and every page image inspected, from the reported opening page through the operative disposition.

[Open cited source rendition](#)

Exact catalogue SHA-256 and 14-page count verified; every page was read and visually inspected.

STATUTORY SCOPE

Historical statutory provisions are described as they appeared in the report. Verify the current enactment, amendments and later judicial treatment before reliance.

LATER TREATMENT

Source checked 2026-10-12. No comprehensive later-treatment or present-law clearance is represented. The note reports the historical statutory text and result in this primary report only.

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 complete judgment, governing statutory version 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.