

The New Jahangir Vakil Mills Co. Ltd., Bhavnagar v. Commissioner of Income-tax, Bombay North, Kutch & Saurashtra, Ahmedabad

Civil Appeal No. 445 of 1962

[1964] 2 SCR 971 | 1963-04-10

Share-trading profit and annual assessments: frequent transactions supported dealer status, original cost governed profit computation, and an earlier-year investor assessment did not create res judicata for a later year's computation.

Indian Income-tax Act, 1922: sections 34, 35, 66(2) and 66A(2)

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

Assessment years: 1945-46

Historical and fact-specific setting

Dealer status rested on the frequency and nature of transactions in 1942-44 under the 1922 Act. The decision does not create a mechanical transaction-count test for current capital-gains versus business-income classification.

Annual-assessment limit

The Court did not reopen or disturb the concluded 1943 assessment. It considered 1943 activity only to determine the cost basis and profit arising on sales in 1944.

Issue scope

The Tribunal had excluded gains from Government securities; the Supreme Court issue concerned the remaining shares and did not reverse that separate treatment.

Spelling variation

The report title uses 'Jahangir' while the opinion's opening paragraph uses 'Jehangir'; no unverified correction is made.

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

New Jahangir Vakil Mills manufactured and sold textile piece-goods. For assessment year 1945-46, the officer treated Rs.1,86,931, later reduced to Rs.1,23,840, from sales of shares and securities as revenue profit. The assessee argued that it had held investments, not trading stock, and alternatively that opening-day market value on 1 January 1944 should replace original cost. On remand, records showed increasing frequency and multiplicity of share purchases and sales from 1942 through 1944. The Tribunal excluded Government securities but held that the assessee dealt in shares and computed share profits as sale price less original purchase cost; the Bombay High Court answered the surviving questions against the assessee (SCR pp.971-976; PDF pp.1-6).

Source: [Primary judgment: facts and reference questions](#)

02 DISCUSSION BY THE HON'BLE COURT

The frequency and nature of the 1943 transactions supplied evidence for the finding that the assessee was already a dealer in shares. Because that trading activity pre-dated 1 January 1944, no conversion of investments occurred on the opening day and the Bai Shirinbai K. Kooka market-value rule did not apply; profit was sale price less original cost. Earlier assessments treating the assessee as an investor remained final, but annual tax decisions did not create res judicata or estoppel for a different year's assessment. Considering when trading began did not reopen 1943 under sections 34 or 35; it answered how profits realised in 1944 should be computed. The Court applied the recurring-annual-tax principle while noting authorities that may constrain reconsideration depending on fresh facts or overlooked material (SCR pp.976-981; PDF pp.6-11).

Source: [Primary judgment: dealer-status, computation and res judicata discussion](#)

03 JUDICIAL DECISION

The Court held that the evidence permitted the finding that share-trading began in 1943, that the 1944 gains were correctly measured from original cost, and that the earlier investor treatment did not estop the authorities in computing the later year's profit. The assessee's appeal was dismissed with costs (SCR p.981; PDF p.11).

Source: [Primary judgment: decision](#)

04 OUTCOME / IN WHOSE FAVOUR

In favour of Revenue. The assessee remained taxable on share-sale profit computed from original purchase cost, and its appeal was dismissed with costs. The disposition did not disturb the Tribunal's separate exclusion of Government securities (SCR pp.975-981; PDF pp.5-11).

Source: [Primary judgment: operative outcome and issue boundary](#)

05 AKHB REVIEW POINT

AKHB analysis: document the chronology of acquisition, frequency, holding pattern, accounting treatment and sale before choosing an investment-to-stock conversion date or cost basis. Keep two questions separate: whether a prior year's concluded assessment changes, and whether earlier facts are relevant to computing a later year's realised profit. Do not cite this judgment as an unlimited licence to disregard consistency or as a current transaction-count test; apply the governing year's statute, evidence and later authority independently.

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

SOURCE & VERIFICATION

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

Complete 11-page catalogue PDF spanning SCR 971-981 read in page-preserving text and visually inspected. Identity, decision date, Civil Appeal No. 445 of 1962, three-judge bench, opinion author, assessment year and dismissal were verified. No same-party, docket, citation, source-hash or standalone judgment match was found. A corpus reference to a different New Jehangir Vakil Mills cheque-receipt decision was distinguished by date, appeal, issue and source identity.

[Open cited source rendition](#)

Exact source bytes, SHA-256 and 11-page count match catalogue asset 1964_2_971_981; every source page was read and visually inspected.

The source verifies the title, single appeal, three-member bench, decision date, AY 1945-46 share-trading issues and dismissal with costs.

No exact source-hash, asset-ID, SCR-citation, docket, party-title or same-judgment match was found in the published corpus, reviewed archive or disposition register.

The published Zoraster note's reference to another New Jehangir Vakil Mills decision concerns a distinct cheque-receipt question and is not a duplicate of this judgment.

STATUTORY SCOPE

The decision arose under the repealed Indian Income-tax Act, 1922 and a 1945-46 assessment on historical share transactions. It does not certify current capital-gains versus business-income classification, inventory valuation, reopening or issue-preclusion rules.

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.