

Commissioner of Income Tax, Punjab, Jammu & Kashmir, Himachal Pradesh and Patiala v. Punjab Distilling Industries Ltd.

Civil Appeals Nos. 107-111 of 1963

[1964] 7 SCR 447 | 1964-03-24

Bottle-return charges: refundable amounts collected with bottled-liquor sales remained trading receipts where they formed part of each sale transaction and were not anterior loans or independent security deposits.

Indian Income Tax Act, 1922: section 10 | Punjab Excise Act, 1914: rule 40(14)(v) and (vi), as amended from 1 April 1948 | Historical excess profits tax and business profits tax, as applicable to connected appeals

3-judge bench | A. K. Sarkar, J. | M. Hidayatullah, J. | J. C. Shah, J.

Assessment years: 1946-47, 1949-50, 1950-51, 1951-52

Earlier decision, different years

The Court applied its earlier Punjab Distilling decision involving assessment years 1947-48 and 1948-49; this report concerns 1946-47 and 1949-50 through 1951-52.

Refundability is not decisive

The conclusion rested on the charge's integral connection with each bottled-liquor sale. It does not make every refundable deposit a trading receipt.

Question expressly left open

The Court gave no opinion on a payment imposed directly by a rule, without a contract, in respect of a contractual trading transaction.

01 FACTS OF THE CASE

Punjab Distilling sold bottled country liquor to licensed wholesalers and, in addition to liquor and bottle prices, collected an 'empty bottles return security deposit'. The amount for a transaction was refundable in full if 90 per cent of the bottles were returned. The present appeals concerned assessment years 1946-47 and 1949-50 to 1951-52, across income tax, excess profits tax and business profits tax. The tax authorities treated the charges as taxable; the Tribunal viewed them as loans, and the Punjab High Court considered the post-1 April 1948 excise-rule amendment sufficient to distinguish the Supreme Court's earlier decision about the same assessee (SCR pp.448-450; PDF pp.2-4).

Source: [Primary judgment: facts](#)

02 DISCUSSION BY THE HON'BLE COURT

The Court held that the earlier judgment did not turn on absence of Government sanction, since Government approval did not determine a receipt's tax character (SCR pp.450-451; PDF pp.4-5). Davies and Lakshmanier concerned deposits or loans anterior to later trading transactions; these bottle charges were part of the sale transactions themselves (SCR pp.451-453; PDF pp.5-7). The amended rule did not give the distiller an enforceable right to recover bottles through the wholesale-retail-consumer chain; it made refund depend on return. Nor did the rule itself collect the deposit: it authorised a contract on prescribed terms, under which the charge was actually taken (SCR pp.453-455; PDF pp.7-9).

Source: [Primary judgment: discussion](#)

03 JUDICIAL DECISION

The Court allowed Revenue's appeals with one set of costs and answered the referred question affirmatively. The 'empty bottles return security deposits' were trading receipts taxable under section 10 (SCR p.455; PDF p.9).

Source: [Primary judgment: decision](#)

04 OUTCOME / IN WHOSE FAVOUR

In favour of Revenue/appellant. The statutory-rule amendment did not distinguish the charge from the earlier Punjab Distilling holding; the charge remained part of the consideration surrounding each bottled-liquor sale (SCR pp.454-455; PDF pp.8-9).

Source: [Primary judgment: outcome](#)

05 AKHB REVIEW POINT

AKHB analysis: classify a deposit by the legal and commercial arrangement, not its ledger label. Test whether it is received once as an anterior loan or security for a continuing relationship, or with each sale as part of the trading consideration; document refund triggers, enforceable return rights, control regulations and actual contractual terms. Apply the present statute and accounting context separately (based on SCR pp.451–455; PDF pp.5–9).

Source: [Primary judgment: reviewPoint](#)

SOURCE & VERIFICATION

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

Full 9-page SCR report read and checked. The editorial headnote was distinguished from the judgment text and operative order.

[Open cited source rendition](#)

Exact source bytes, SHA-256 and 9-page count match catalogue asset 1964_7_447_455; the full extracted report and operative pages were reviewed.

The source verifies Civil Appeals Nos. 107–111 of 1963, the stated bench, issues, reasoning and operative result.

No published AKHB note or archived reviewed record with this source hash, case identity and operative decision was found.

STATUTORY SCOPE

The decision concerns historical income-tax, excess-profits-tax and business-profits-tax assessments and the then Punjab excise rules governing licensed liquor sales. It does not determine the present treatment of deposits, refundable packaging charges, indirect taxes or contract liabilities.

LATER TREATMENT

Source checked 2026-10-10. Later judicial treatment and current statutory applicability have not been comprehensively checked; no current-law or citator clearance is represented.

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