

Commissioner of Income Tax, Bombay v. Chugandas and Co., Bombay

Civil Appeals Nos. 685 and 686 of 1963

[1964] 8 SCR 332 | 1964-07-29

Discontinuance relief: interest on securities held as stock-in-trade remained income of the business for section 25(3), although computed under a separate statutory head.

Indian Income Tax Act, 1922: sections 6, 8, 10 and 25(3)

3-judge bench | K. Subba Rao, J. | J. C. Shah, J. | S. M. Sikri, J.

Assessment years: 1947-48, 1948-49

Source versus computation head

Business character was assessed separately from the statutory head used to compute interest.

Historical transitional relief

The ratio operates within the special anti-double-tax purpose of section 25(3).

01 FACTS OF THE CASE

Chugandas & Co. dealt in securities and held them as stock-in-trade. It received substantial securities interest in 1946 and 1947 and discontinued business on 30 June 1947. Revenue denied section 25(3) relief because the interest was computed under section 8 rather than under section 10 as business profit.

Source: [Case identity, facts and procedural history](#)

02 DISCUSSION BY THE HON'BLE COURT

The Court distinguished the source of income from the statutory machinery for computing it. Section 25(3) referred to tax charged on a business and was designed to correct the double levy created when the 1922 Act shifted from current-year to previous-year assessment. Once income arose from the taxed business, relief was not confined to amounts computed under the business head; interest on trading securities remained income earned by carrying on that business.

Source: [Court's reasoning and statutory analysis](#)

03 JUDICIAL DECISION

Revenue's appeals were dismissed with costs, and the firm retained section 25(3) relief for the interest on securities.

Source: [Holding and operative order](#)

04 OUTCOME / IN WHOSE FAVOUR

In favour of the assessee/respondent. The entire relevant business income, including securities interest, qualified for the historical discontinuance relief.

Source: [Operative result](#)

05 AKHB REVIEW POINT

AKHB analysis: where a provision turns on the source or character of income, do not assume the computational head is conclusive. Document how the asset is held and how the receipt arises, while also respecting the exact purpose and limits of the operative provision.

Source: [Primary reasoning underlying the AKHB analysis](#)

SOURCE & VERIFICATION

Supreme Court Reports scan - public eSCR mirror

Full 16-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 16-page count match catalogue asset 1964_8_332_347; the full extracted report and operative pages were reviewed.

The source verifies Civil Appeals Nos. 685 and 686 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

Section 25(3) was a transitional relief tied to double taxation under the 1918 and 1922 Acts. The case does not create a present discontinuance exemption.

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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