

# Commissioner of Income Tax, Punjab v. R. D. Aggarwal & Company

Civil Appeals Nos. 808 and 809 of 1963

[1965] 1 SCR 660 | 1964-10-06

**Non-resident business connection: mere canvassing and transmission of purchase offers, without authority to conclude sales or other Indian operations, did not create the required business connection.**

Indian Income Tax Act, 1922: sections 40(2), 42(1) and 43(1)

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

Assessment years: 1952-53

## Fact-sensitive nexus test

The holding depended on the absence of authority to accept offers and the location of contracting, payment and delivery.

## Historical territorial regime

No current treaty or digital-economy issue was examined.

## 01 FACTS OF THE CASE

The Amritsar firm canvassed orders for Belgian and Italian woollen-yarn manufacturers and forwarded the offers abroad. The foreign manufacturers could accept or reject them; contracts, payment and delivery occurred outside taxable territories. Revenue added five per cent of the non-residents' Indian sales value on the premise that the local firm created a business connection.

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

## 02 DISCUSSION BY THE HON'BLE COURT

The Court explained that business connection requires a real and intimate relation between the non-resident's overseas trading activity and activity within taxable territories that contributes to earning the non-resident's trading income. Its forms can vary, but a label such as sole agent is not decisive. Here the firm did not conclude sales, procure raw materials or conduct a sales operation for the foreign manufacturers; it merely generated offers that the manufacturers were free to reject.

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

### 03 JUDICIAL DECISION

The Court dismissed Revenue's appeals with costs and upheld the finding that no section 42(1) business connection existed on the proved facts.

Source: [Holding and operative order](#)

### 04 OUTCOME / IN WHOSE FAVOUR

In favour of the assessee and non-residents. The proposed deemed-profit addition failed.

Source: [Operative result](#)

### 05 AKHB REVIEW POINT

AKHB analysis: for cross-border agency files, map each function—solicitation, authority to bind, contracting, payment, delivery and after-sales work—by person and jurisdiction. The written agreement, actual conduct and modern domestic/treaty rules must all be tested.

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

### SOURCE & VERIFICATION

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

Full 11-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 11-page count match catalogue asset 1965\_1\_660\_670; the full extracted report and operative pages were reviewed.

The source verifies Civil Appeals Nos. 808 and 809 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 ruling construes "business connection" under section 42 of the 1922 Act. Present permanent-establishment, significant-economic-presence, treaty and section 9 rules require separate analysis.

### 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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