

P. R. Al. M. M. Annamalai Chettiar v. Commissioner of Income-tax, Madras

Civil Appeal No. 131 of 1963

[1965] 1 SCR 827 | 1964-10-26

Historical business-profit computation: Japanese occupation currency purchase cost had to be converted into Malayan currency before comparison with the later Malayan-currency sale price.

Indian Income-tax Act, 1922: sections 66(1) and 66(2) | Federated Malaya States Debtor and Creditor (Occupation Period) Ordinance, 1948: conversion Schedule

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

Assessment years: 1951-52

Exceptional historical currency facts

The ruling addresses Japanese occupation currency and post-occupation Malayan currency. Any modern foreign-currency computation requires the currently applicable statute, rules and accounting framework.

01 FACTS OF THE CASE

The assessee Hindu undivided family carried on business in India and at Paritpuntar in the Federated Malaya States. For AY 1951-52 it claimed a loss on properties bought in Malaya during Japanese occupation with occupation currency and sold after the occupation for Malayan currency. For three disputed properties the Income-tax Officer scaled the recorded purchase prices by the conversion table in the Debtor and Creditor (Occupation Period) Ordinance, 1948, producing a net profit of \$382 instead of the claimed loss. Departmental appeals failed; the Tribunal declined a statement of case and the Madras High Court refused a direction under section 66(2).

Source: [Properties, currencies and assessment history: SCR pp.828-829 / PDF pp.2-3](#)

02 DISCUSSION BY THE HON'BLE COURT

The Court held that profit or loss could not be found by directly comparing amounts expressed in two essentially different currencies; the Japanese occupation-currency cost first needed a common Malayan-currency measure. The Ordinance did not directly govern this property computation, but its Schedule was the only available conversion material and resulted from careful inquiry by responsible Malayan authorities. The officer could therefore use it as a reasonable measure. An unidentified method allegedly used in earlier years did not prevent adoption of the correct method for the assessment year before the Court. The Court approved the same principle in *S. L. N. Sathappa Chettiar*.

Source: [Common-standard and conversion-Schedule reasoning: SCR pp.830-832 / PDF pp.4-6](#)

03 JUDICIAL DECISION

The Court held that the officer was justified in using the Ordinance Schedule to translate the disputed occupation-currency costs into Malayan currency. It dismissed the assessee's appeal with costs.

Source: [Holding and dismissal: SCR pp.831-832 / PDF pp.5-6](#)

04 OUTCOME / IN WHOSE FAVOUR

In favour of the Revenue. The conversion-based computation survived and the assessee obtained no direction for a reference. The result is confined to the historical record and conversion evidence before the Court.

Source: [Revenue outcome: SCR pp.831-832 / PDF pp.5-6](#)

05 AKHB REVIEW POINT

AKHB analysis: when acquisition cost and disposal proceeds are expressed in different currencies, identify the legally relevant translation dates and preserve contemporaneous, authoritative exchange-rate evidence before computing gain or loss. Do not import this occupation-era conversion table into a modern matter; verify the current tax statute, rules and applicable accounting standard.

Source: [AKHB analysis based on the common-standard reasoning](#)

SOURCE & VERIFICATION

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

Full 6-page SCR report read; the editorial headnote on PDF p.1 was distinguished from Subba Rao J.'s judicial opinion on PDF pp.2-6.

[Open cited source rendition](#)

Exact 176,914-byte source, SHA-256 and six-page count match catalogue asset 1965_1_827_832.

The report verifies Civil Appeal No. 131 of 1963, decision date 26 October 1964 and the three-member bench.

The challenged computation concerned the last three properties; the reference question stated a disallowed loss of \$67,764 and computed profit of \$382.

The Court used the Ordinance Schedule as reliable conversion evidence; it did not hold that the Ordinance directly governed property-cost computation.

STATUTORY SCOPE

This decision concerns AY 1951-52 under the Indian Income-tax Act, 1922 and an exceptional Second World War currency setting in Malaya. It does not state a current rule for foreign-currency conversion under the Income-tax Act, 1961, accounting standards or present exchange-control law.

LATER TREATMENT

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

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