

Commissioner of Income-tax, Madras v. K. H. Chambers, Madras

Civil Appeal No. 1106 of 1963

[1965] 2 SCR 43 | 1964-11-09

Historical business-succession relief: continuity of the whole business despite retention of assets to discharge old debts

Indian Income-tax Act, 1922: sections 25(4) and 66(1)

Three-judge bench; judgment delivered by K. Subba Rao, J. | K. Subba Rao, J. | J. C. Shah, J. | S. M. Sikri, J.

Historical succession relief; not a universal asset-transfer exemption

This is a 1922 Act section 25(4) decision for AY 1948-49. The conclusion turns on continued business identity and the purpose of retained assets, not a rule that every partial asset transfer is a succession.

01 FACTS OF THE CASE

G. A. Chambers ran Chambers & Co. separately from Chrome Leather Company. In 1932, the father retained old debts and assets to discharge them while his son took over the export business, continuing its customers, premises, trade identifiers and important staff. A limited company took over in January 1948. For AY 1948-49 the son claimed section 25(4) relief based on the business having been assessed under the 1918 Act. The authorities and Tribunal denied succession; the High Court answered the reference for him.

Source: [SCR pp. 43-47](#) / [PDF pp. 1-5](#)

02 DISCUSSION BY THE HON'BLE COURT

Succession requires changed ownership and transfer of the whole business with substantial identity and continuity. It does not demand mechanical transfer of every asset and liability. The father retained assets to pay old debts and facilitate the son's continued business, not to carry on part of the transferred business himself. Although the old name was retained, its business advantages passed to the son. The Court also distinguished pure fact-finding from applying legal tests to found facts: the latter is a mixed question of law and fact. The Tribunal's conclusion could therefore be examined under section 66(1) for correct application of the succession tests.

Source: [SCR pp. 47-52](#) / [PDF pp. 5-10](#)

03 JUDICIAL DECISION

The export business passed as a whole with its identity and continuity preserved. Assets retained to clear old debts, rather than continue the business for the father, did not defeat succession. Applying the legal tests to established facts raised a question of law reviewable by the High Court.

Source: [SCR pp. 49-50 and 52](#) / [PDF pp. 7-8 and 10](#)

04 OUTCOME / IN WHOSE FAVOUR

Revenue's appeal was dismissed with costs, leaving the High Court's answer in favour of the assessee intact. The decision sustained historical section 25(4) relief on the established succession facts; it did not decide contemporary exemption or restructuring rules.

Source: [SCR p. 52 D-E / PDF p. 10](#)

05 AKHB REVIEW POINT

AKHB analysis: document changed ownership and continuity through transfer agreements, accounts, customers, staff and actual operations. Explain whether retained assets serve debt clearance or continued business by the transferor. Separate disputes about basic facts from incorrect application of legal tests. Verify the governing statute before relying on this historical ruling for present restructuring.

Source: [AKHB analysis based on SCR pp. 46-52 / PDF pp. 4-10](#)

SOURCE & VERIFICATION

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

Complete ten-page report, including the judicial text at SCR 43-52 and both the substantive succession and reference-jurisdiction issues.

[Open cited source rendition](#)

Complete primary report read and exact SHA-256 matched the reconciliation catalogue.

The source variously describes management beginning in or about 1931 and in 1932; this note relies on the documented December 1932 ownership change, not a reconciled management-start date.

Same decision date and bench as Stremann, but different respondent, docket, report and legal issue: Chambers is CA 1106/1963; Stremann is CA 1105/1963.

STATUTORY SCOPE

The ruling applies the Indian Income-tax Act, 1922 in its historical assessment-year setting. It is not an automatic crosswalk to present income-tax provisions.

LATER TREATMENT

Source checked 2026-10-12. Comprehensive later judicial treatment has not been 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; independent human review is not represented.

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