

Janki Ram Bahadur Ram v. Commissioner of Income-tax, Calcutta

Civil Appeal No. 308 of 1964

[1965] 3 SCR 604 | 1965-03-31

Adventure in the nature of trade: an isolated purchase and profitable resale of a jute press was not business income without further circumstances establishing a trading venture.

Indian Income-tax Act, 1922: sections 2(4), 10 and 66(1)

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

Assessment years: See the source-scope notes; no year inferred.

Capital gains were not taxable in the source period

The Court expressly recorded that capital gains were not taxable at the material time, so the issue was confined to whether the surplus was business income under section 10.

Fact-sensitive characterisation

No single factor controlled; the Court assessed the collective effect of the asset, the assessee's existing business, improvements, intended use and manner of sale.

01 FACTS OF THE CASE

The appellant HUF dealt in iron scrap and hardware. It agreed in October 1942 to buy a jute press, machinery and appurtenant properties for Rs.2,45,000 while part remained in a defaulting lessee's possession, received a conveyance in February 1943, agreed in June to resell the property to Ranada Prasad Saha, obtained possession after substitution in the ejectment suit, and conveyed it in September 1943 for Rs.4,73,364-13-6. The officer taxed Rs.2,24,864 as sale profit; the Tribunal reduced income by Rs.7,000 but treated the Rs.2,35,211 surplus as an adventure-in-trade receipt, and the Calcutta High Court agreed.

Source: [Purchase, litigation, resale, assessment and referred question: SCR pp.604-606 / PDF pp.1-3](#)

02 DISCUSSION BY THE HON'BLE COURT

Revenue bore the burden of bringing the profit within the charge, and whether an isolated transaction was an adventure in the nature of trade depended on the collective effect of all circumstances. Connection with the assessee's existing business, subdivision or transformation of a commodity, scale, commercial organisation and manner of disposal could support a trading inference; profit motive alone could not. Here the press and land were unrelated to the iron-scrap business, capable of productive use or letting, and purchased with the company's full rights. Repairs and an early resale did not prove a trading design. The record did not establish that any demolition and scrap sale meant the entire property was acquired for dismantling, nor that the desire to sell on a favourable offer was the sole intention at purchase.

Source: [Mixed question and collective-factors analysis: SCR pp.607-608 / PDF pp.4-5; Application to the jute press, demolition evidence and intention: SCR pp.609-610 / PDF pp.6-7](#)

03 JUDICIAL DECISION

The Court held that a profitable bargain and a desire to resell if a favourable offer emerged did not, without further circumstances, prove an intention to launch a trading venture. It discharged the High Court's affirmative answer, answered the referred question in the negative and allowed the appeal, directing the Commissioner to pay costs in the Supreme Court and High Court.

Source: [Negative answer, allowance and costs: SCR p.610 / PDF p.7](#)

04 OUTCOME / IN WHOSE FAVOUR

In favour of the assessee. The isolated jute-press transaction was not proved to be an adventure in the nature of trade, so the surplus was not taxable as business income under the historical section 10 issue before the Court.

Source: [Assessee's successful outcome: SCR p.610 / PDF p.7](#)

05 AKHB REVIEW POINT

AKHB analysis: characterisation of an isolated asset sale requires a documented matrix, not a profit-motive shortcut. Record the taxpayer's ordinary business, asset type, acquisition purpose, improvements, financing, holding and use, marketing method and disposal sequence, then evaluate their cumulative effect. Because the source period lacked the capital-gains charge described in the judgment, test any present transaction separately under current business-income and capital-gains provisions and later precedent.

Source: [AKHB analysis based on the collective-circumstances test](#)

SOURCE & VERIFICATION

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

Full 7-page SCR report read and visually checked. The editorial headnote on PDF p.1 was distinguished from Shah J.'s unnumbered judgment beginning on PDF p.1 and continuing through PDF p.7. The retained report does not state an assessment year.

Open cited source rendition

Exact source bytes, SHA-256 and 7-page count match catalogue asset 1965_3_604_610; every page was read as extracted text and inspected as a rendered image.

The judicial text verifies Civil Appeal No. 308 of 1964, the three-member bench, the 1942-43 purchase and sale sequence, the negative answer and costs in both courts.

No published AKBH record or prior reviewed-release record with this party identity, case number, citation or source asset was found.

STATUTORY SCOPE

The decision construes business and adventure in the nature of trade under the repealed Indian Income-tax Act, 1922 in a period when the judgment records that capital gains were not taxable. It does not determine current business-income or capital-gains consequences.

LATER TREATMENT

Source checked 2026-10-10. Comprehensive later treatment and current statutory rules distinguishing business income from capital gains have not been checked; no current-law or citator clearance is represented.

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