

Commissioner of Income-tax v. Mugneeram Bangur & Co.

Civil Appeal No. 310 of 1964

[1965] 3 SCR 611 | 1965-03-31

Slump sale of a going concern: no part of the composite price was taxable as stock-in-trade profit where no amount was attributable to the land at sale-date value.

Indian Income-tax Act, 1922: section 66 | Indian Income-tax Act, 1922: business-income principles governing a realisation sale of a going concern

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.

No current slump-sale clearance

The transfer occurred under the 1922 Act before modern statutory slump-sale rules. The historical result cannot be applied to a present transaction without current-law analysis.

Assessment year absent from source

The retained eight-page SCR report identifies the reference and transfer dates but does not state the relevant assessment year.

01 FACTS OF THE CASE

Mugneeram Bangur & Co. (Land Department), a firm engaged in buying, developing and selling land, agreed on 7 July 1948 to transfer its entire business as a going concern to Amalgamated Development Ltd., a company promoted by its partners. The Rs.34,99,300 consideration was discharged by shares and scheduled amounts included Rs.12,68,628 for land and Rs.2,50,000 for goodwill. The officer treated the Rs.2,50,000 as profit on land stock-in-trade. The first appellate authority regarded it as goodwill and the transfer as a capital realisation; the Tribunal called it excess land value but dismissed Revenue's appeal on a separate continuity theory. The High Court held there was no taxable profit, and Revenue appealed.

Source: [Agreement, scheduled price and proceedings below: SCR pp.612-615 / PDF pp.2-5](#)

02 DISCUSSION BY THE HON'BLE COURT

The Court accepted the Tribunal's finding and the agreement's terms that the business was sold as a going concern, making it a slump transaction. Doughty and West Coast Chemicals showed that a whole-concern sale at a composite price did not create taxable business profit unless an identifiable part of the price could fairly be attributed to stock-in-trade. Although the schedule reproduced the land's book cost, there was no evidence of a sale-date valuation. The firm's business was not merely buying and reselling land; it also developed land by roads, drains, sanitation, electricity and a school, making the realisation sale distinguishable from ordinary trading sales. The Rs.2,50,000 labelled goodwill did not establish market value of the land even if added to its book cost.

Source: [Slump-transaction principle and need for an attributable stock amount: SCR pp.616-617 / PDF pp.6-7](#); [Development business, absence of valuation and conclusion: SCR p.618 / PDF p.8](#)

03 JUDICIAL DECISION

The Court held that the sale was of the whole concern and no part of the slump price was attributable to the cost of land. It answered referred question 3 in the negative, making it unnecessary to answer questions 2 and 4; question 1 had already been given up before the High Court. Revenue's appeal was dismissed with costs.

Source: [Negative answer and dismissal: SCR p.618 / PDF p.8](#)

04 OUTCOME / IN WHOSE FAVOUR

In favour of the assessee. The composite going-concern transfer produced no identified taxable profit on the land stock-in-trade, and the Court did not decide the unused or unnecessary alternative questions.

Source: [Assessee's successful outcome on question 3: SCR p.618 / PDF p.8](#)

05 AKHB REVIEW POINT

AKHB analysis: do not infer an item-wise taxable allocation merely because a transfer schedule reproduces book figures. For a historical whole-concern sale, test whether the agreement and evidence contain an actual sale-date allocation to stock-in-trade and distinguish ordinary trading sales from a realisation sale. For a current transaction, apply the modern statutory slump-sale and valuation provisions independently; this 1948 transaction is not present-law clearance.

Source: [AKHB analysis based on the slump-price attribution reasoning](#)

SOURCE & VERIFICATION

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

Full 8-page SCR report read and visually checked. The editorial headnote on PDF p.1 was distinguished from Sikri J.'s unnumbered judgment beginning on PDF p.1 and continuing through PDF p.8. The retained report does not state the assessment year.

Open cited source rendition

Exact source bytes, SHA-256 and 8-page count match catalogue asset 1965_3_611_618; every page was read as extracted text and inspected as a rendered image.

The judicial text verifies Civil Appeal No. 310 of 1964, the three-member bench, the 7 July 1948 agreement, the limited answer to question 3 and dismissal with costs.

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

STATUTORY SCOPE

The decision applies historical business-income principles under the repealed Indian Income-tax Act, 1922 to a 1948 transfer of a going concern. It predates modern statutory provisions for slump sales and does not determine current computation, capital-gains or valuation treatment.

LATER TREATMENT

Source checked 2026-10-10. Comprehensive later treatment and modern slump-sale provisions have not been checked; no current-law or citator clearance is represented.

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AI-assisted research. The AKHB Review Point is editorial analysis, not part of the Court's judgment.

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