

Commissioner of Income-tax, Andhra Pradesh v. The Cocanada Bank Ltd., Kakinada

Civil Appeals Nos. 155 to 157 of 1964

[1965] 3 SCR 619 | 1965-04-02

Carry-forward of business loss: interest from securities forming part of a bank's trading assets remained business income for section 24(2) set-off despite computation under a separate head.

Indian Income-tax Act, 1922: sections 6, 8, 10 and 24(1)-(2)

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

Assessment years: 1949-50 (loss year), 1950-51, 1951-52, 1952-53

Trading-asset finding was essential

The result depended on the Tribunal's accepted finding that the government securities were part of the bank's trading assets and their interest was income of the same banking business.

Historical set-off provision

The judgment applies section 24(2) of the repealed 1922 Act and is not current loss-set-off clearance.

01 FACTS OF THE CASE

Cocanada Bank earned income from banking operations and interest on government securities. For AY 1949-50 it sustained a net loss of Rs.55,912 after setting security interest against the loss from other banking activities. In AYs 1950-51 to 1952-53 the department carried the loss forward but set it off only against income classified under business, refusing set-off against security interest. After the original reference, the High Court called for a finding whether the securities were trading assets. The Tribunal found that earning interest on them was as much part of the bank's business as accepting deposits and withdrawals, and the High Court then answered for the assessee.

Source: [Loss, succeeding years and trading-asset finding: SCR pp.620-621 / PDF pp.2-3](#)

02 DISCUSSION BY THE HON'BLE COURT

The Court distinguished section 24(1), which used statutory heads to permit same-year cross-head set-off, from section 24(2), which carried forward a loss for set-off against profits of the same business. Section 6 classified income only for computing total income; classification of security interest under section 8 did not prevent it from also being income of the banking business when commercial principles and the facts showed that the securities were trading assets. The accepted finding therefore brought the interest within the same business for section 24(2). United Commercial Bank and East India Housing addressed the head used for computation, not whether the receipt retained its business character; Express Newspapers concerned capital gains, a distinct concept. Chugandas confirmed that breaking business income into computational heads did not destroy its business identity.

Source: [Section 24 scheme, computational heads and commercial character: SCR pp.622-623 / PDF pp.4-5; Earlier decisions distinguished and Chugandas applied: SCR pp.624-625 / PDF pp.6-7](#)

03 JUDICIAL DECISION

The Court held that income from securities forming part of the bank's trading assets was income of its banking business for section 24(2). The business loss carried forward from AY 1949-50 could therefore be set off against that security interest in the succeeding years. The High Court's affirmative answer was upheld, and Revenue's appeals were dismissed with costs and one hearing fee.

Source: [Holding, affirmative answer and dismissal: SCR p.625 / PDF p.7](#)

04 OUTCOME / IN WHOSE FAVOUR

In favour of the assessee. Because the securities were trading assets of the same banking business, the carried-forward business loss was available against their interest income despite its computation under a distinct statutory head.

Source: [Assessee's successful set-off and final dismissal: SCR p.625 / PDF p.7](#)

05 AKHB REVIEW POINT

AKHB analysis: distinguish the statutory head used to compute a receipt from its commercial source and character. Before invoking this historical same-business principle, establish with records that the securities were trading assets of the banking business, identify the precise loss year and carry-forward period, and test the claim under the current set-off provisions and later authority independently.

Source: [AKHB analysis based on the computational-head and commercial-character distinction](#)

SOURCE & VERIFICATION

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

Full 7-page SCR report read and visually checked. The editorial headnote on PDF pp.1-2 was distinguished from Subba Rao J.'s unnumbered judgment beginning on PDF p.2 and continuing through PDF p.7.

[Open cited source rendition](#)

Exact source bytes, SHA-256 and 7-page count match catalogue asset 1965_3_619_625; every page was read as extracted text and inspected as a rendered image.

The judicial text verifies Civil Appeals Nos. 155 to 157 of 1964, the three-member bench, the loss and succeeding assessment years, and dismissal with one hearing fee.

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

STATUTORY SCOPE

The decision construes the head-of-income and carried-forward-loss scheme in the repealed Indian Income-tax Act, 1922. It does not independently establish set-off treatment under the current Income-tax Act or for securities that are not trading assets of the same business.

LATER TREATMENT

Source checked 2026-10-10. Comprehensive later treatment and current loss-set-off provisions have not been checked; no current-law or citator clearance is represented.

AI DISCLOSURE

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