

Indore Malwa United Mills v. Commissioner of Income-tax (Central), Bombay

Civil Appeals Nos. 1006-1011 of 1963

[1966] 2 SCR 651 | 1965-11-19

Non-resident's receipt of sale proceeds: whether contractual payment by cheques sent through the post made the post office the assessee's agent and fixed receipt in British India.

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

3-judge bench | A. K. Sarkar, J. | J. R. Mudholkar, J. | R. S. Bachawat, J.

Assessment years: 1943-44, 1944-45, 1945-46, 1946-47, 1947-48, 1948-49

Historical cheque-posting and territorial-receipt rule

The decision turns on a wartime contract, an implied authorisation to send cheques by post and section 4(1)(a) of the repealed 1922 Act. It does not establish a general current rule for electronic transfers or every cheque sent without contractual authorisation.

01 FACTS OF THE CASE

Indore Malwa United Mills, then a non-resident carrying on textile manufacturing at Indore with offices at Indore and Bombay, supplied goods to the Government of India's Stores Department in calendar years 1942-1947. Purchase orders required payment under prescribed bills by cheque on a British-Indian government treasury or specified bank. The assessee submitted bills and pre-signed receipts requesting cheques to self on a bank at Indore; the Government instead drew Reserve Bank of India, Bombay cheques and posted them from New Delhi to Indore. The assessee deposited them with the Imperial Bank at Indore. The Tribunal found receipt at Indore after rejecting the Revenue's encashment-at-Bombay argument. On reference, the Bombay High Court majority accepted the distinct theory that the post office acted as the assessee's agent, producing receipt in British India.

Source: [Contracts, cheque procedure and assessment dispute: SCR pp.652-655 / PDF pp.2-5](#)

02 DISCUSSION BY THE HON'BLE COURT

The Court first held that the broad referred question—whether the profits were received in the taxable territories—permitted the Revenue to advance the postal-agency argument on the facts found, even though its argument before the Tribunal had focused on encashment at Bombay. A creditor receives payment on posting where an express or implied agreement or request authorises the debtor to pay by cheque through the post, because the post office then acts as the creditor's receiving agent. Clause 9, the prescribed bill and payment instructions, the separation between Indore and New Delhi, and the actual course of posting established an implied agreement here. The later request for a cheque on an Indore bank did not displace the Government's contractual authority to issue and post a Reserve Bank of India, Bombay cheque. The suggested additional evidence would not have changed the legal effect of authorised posting on these facts.

Source: [Scope of the referred question and permission for the postal-agency argument: SCR pp.655-656 / PDF pp.5-6](#); [Implied authorisation, agency and receipt on posting: SCR pp.657-659 / PDF pp.7-9](#)

03 JUDICIAL DECISION

The Court held that the post office was the assessee's agent for receiving the cheques and that payment was received in British India when the authorised cheques were posted. The resulting sales profits were taxable under section 4(1)(a). It upheld the High Court's affirmative answer and dismissed the assessee's appeals with one set of costs.

Source: [Taxability holding and dismissal: SCR pp.658-659 / PDF pp.8-9](#)

04 OUTCOME / IN WHOSE FAVOUR

In favour of the Revenue. The assessee's six connected appeals were dismissed with one set of costs, and the sale profits remained taxable as income received in British India.

Source: [Final dismissal with costs: SCR p.659 / PDF p.9](#)

05 AKHB REVIEW POINT

AKHB analysis: when a historical territorial-receipt issue turns on cheque posting, map the contract, billing language, course of dealing and place of authorised dispatch before choosing the receipt point. The rule applied here depends on the debtor being authorised—expressly or by necessary implication—to use the post as the creditor's channel; it is not a rule that every posted instrument is received at dispatch. For a current matter, separately test the modern statutory source/receipt provisions and the mechanics of the actual payment method.

Source: [AKHB analysis based on the authorisation and postal-agency reasoning](#)

SOURCE & VERIFICATION

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

Full 9-page SCR report read and visually checked. The editorial headnote spans PDF pp.1-2; Bachawat J.'s judgment for the Court begins on PDF p.2 and runs through the dismissal on PDF p.9.

Open cited source rendition

Exact source bytes, SHA-256 and 9-page count match catalogue asset 1966_2_651_659; every page was text-reviewed and visually checked.

The report verifies Civil Appeals Nos. 1006-1011 of 1963, decision on 19 November 1965, the three-member bench and Ays 1943-44 through 1948-49.

The repository contains a distinct 1962 Indore Malwa case and later notes citing this decision, but no published record with this 1965 citation, docket or source hash; citations to the case are not duplicate publication.

STATUTORY SCOPE

This decision applies the territorial-receipt rule in section 4(1)(a) and the reference procedure under section 66 of the repealed Indian Income-tax Act, 1922 to wartime contracts and cheque payments. No current territorial nexus rule, electronic-payment rule or later treatment has been independently checked.

LATER TREATMENT

Source checked 2026-10-10. The judgment's postal-agency and section 66 holdings were verified from the complete report. Later treatment, modern payment methods and current territorial-income provisions have not been comprehensively checked; no citator or current-law clearance is represented.

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