

Commissioner of Income-tax, Bombay City v. Tata Locomotive & Engineering Co. Ltd.

Civil Appeal No. 236 of 1965

[1966] 3 SCR 235 | 1966-01-13

Historical foreign-exchange characterization: devaluation surplus on commission dollars earmarked for capital goods.

Indian Income-tax Act, 1922: capital-versus-revenue receipt principles

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

Assessment years: Accounting year ending 31 March 1950

Historical statutory setting

The decision applies historical capital/revenue principles to pre-liberalisation exchange controls; current foreign-exchange and computation rules were not checked.

Fact and procedural limits

Apply the holding only within the facts, statutory text and procedural posture described in the primary report.

No current-law clearance

Later judicial treatment and current statutory applicability have not been comprehensively checked; no current-law or citator clearance is represented.

01 FACTS OF THE CASE

Commission from a US manufacturer was taxable as revenue when earned, but with Reserve Bank approval the assessee retained the dollars with its New York purchasing agent solely to buy plant and machinery. Sterling devaluation increased the rupee value; import constraints later led to repatriation (SCR pp.235-239; PDF pp.1-5).

Source: [Primary judgment: facts](#)

02 DISCUSSION BY THE HON'BLE COURT

The relevant inquiry was the character of the later holding transaction. Retaining the dollars for capital goods was independent of the commission-earning trade and was the first step toward acquiring capital assets. Repatriating first and remitting again would not have changed that character, so the exchange gain was capital (SCR pp.239-241; PDF pp.5-7).

Source: [Primary judgment: discussion](#)

03 JUDICIAL DECISION

The Court affirmed the High Court's negative answers and dismissed Revenue's appeal with costs (SCR p.241; PDF p.7).

Source: [Primary judgment: decision](#)

04 OUTCOME / IN WHOSE FAVOUR

In favour of the assessee: the rupee surplus on the \$36,123.02 capital-purpose balance was not taxable revenue profit (SCR pp.240-241; PDF pp.6-7).

Source: [Primary judgment: outcome](#)

05 AKHB REVIEW POINT

AKHB analysis: identify when a foreign-currency balance is converted from trading use to a documented capital purpose. Current foreign-currency tax rules, accounting standards and statutory deeming provisions need fresh analysis (based on SCR pp.240-241; PDF pp.6-7).

Source: [Primary judgment: review point](#)

SOURCE & VERIFICATION

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

Full 7-page SCR source asset read in page-preserving text and visually inspected; adjacent-report boundaries were checked.

[Open cited source rendition](#)

Exact source bytes, SHA-256 and seven-page count match catalogue asset 1966_3_235_241; every page was read and visually inspected.

The source verifies the stated case identity, bench, statutory issue and operative order.

No exact source-hash, asset-ID, SCR-citation, docket or same-judgment match was found in the published corpus or reviewed archive.

STATUTORY SCOPE

The decision applies historical capital/revenue principles to pre-liberalisation exchange controls; current foreign-exchange and computation rules were not checked.

LATER TREATMENT

Source checked 2026-10-11. Later judicial treatment and current statutory applicability have not been comprehensively 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 and has not been represented as independently human-reviewed.

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