

Commissioner of Income-Tax, Madras v. Prithvi Insurance Co. Ltd.

Civil Appeals Nos. 729 to 732 of 1965

[1967] 1 SCR 943 | 1966-10-26

Life and general insurance constituted the same business for historical loss carry-forward because their management, organisation, administration, funds and premises were integrated.

Indian Income-tax Act, 1922: sections 6, 10(1), 10(2), 10(7), 24(1), 24(2) and 66(1) | Indian Income-tax Act, 1922 Schedule: rules 1 to 9

2-judge bench | J. C. Shah, J. | V. Ramaswami, J.

Assessment years: 1951-52 to 1954-55

Historical same-business test

The result concerns former section 24(2)'s 'same business' requirement and does not establish current loss set-off eligibility under the Income-tax Act, 1961.

Functional integration was decisive

Separate statutory methods of profit computation did not control; the Court relied on common management, organisation, administration, funds and premises.

01 FACTS OF THE CASE

Prithvi Insurance carried on life and general insurance. In calendar years 1944 to 1948, it suffered life-business losses and earned general-insurance profits. For assessment years 1951-52 to 1954-55, the Income-tax Officer refused to carry forward life-business loss against general-insurance profit, treating them as distinct businesses. The Appellate Assistant Commissioner and Tribunal agreed, principally because the 1922 Act prescribed different computation methods for the two insurance lines. The Madras High Court answered the referred question for the company, and the Revenue appealed.

Source: [Insurance lines, losses, assessment years and reference: SCR pp.944-945 / PDF pp.2-3](#)

02 DISCUSSION BY THE HON'BLE COURT

The Court distinguished annual set-off under section 24(1) from carry-forward under section 24(2), which then required profit from the 'same business.' Special computation rules for life and other insurance under section 10(7) and the Schedule did not themselves make the activities separate businesses. Sameness depended on the businesses' nature, organisation, management, capital source, bookkeeping and related circumstances. Here both lines were authorised by the memorandum, handled by common branch managers and agents, and shared administration and expenses. The Court rejected the Revenue's proposed decisive test asking whether one line could continue after the other closed: inability to continue may strongly indicate unity, but ability to continue does not decisively prove separateness. The appropriate inquiry was interconnection, interlacing, interdependence and unity, demonstrated here by common management, organisation, administration, funds and premises.

Source: [Insurance computation rules and section 24 framework: SCR pp.945-947 / PDF pp.3-5; Functional integration, rejected closure test and unity factors: SCR pp.948-949 / PDF pp.6-7](#)

03 JUDICIAL DECISION

The Court held that the life and general insurance lines were one composite business and therefore the same business within former section 24(2). It affirmed the High Court and dismissed the Revenue's appeals with costs, allowing one hearing fee.

Source: [Composite-business holding and operative dismissal: SCR pp.948-949 / PDF pp.6-7](#)

04 OUTCOME / IN WHOSE FAVOUR

In favour of the assessee company. The Revenue's appeals were dismissed, preserving the High Court's conclusion that former section 24(2) permitted the carry-forward life-business losses to be set off against general-insurance profits for the stated years.

Source: [Same-business conclusion and dismissal: SCR p.949 / PDF p.7](#)

05 AKHB REVIEW POINT

AKHB analysis: where tax consequences depend on whether activities form one business, build an integration matrix covering ownership, management, workforce, premises, systems, funds, books, customers and operational dependence. Different statutory computation methods do not alone answer the factual unity question. For present advice, first identify whether current law still uses a same-business condition and then test modern provisions and later authorities rather than importing this 1922 Act result.

Source: [AKHB analysis based on the same-business and functional-integration reasoning](#)

SOURCE & VERIFICATION

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Exact source bytes, SHA-256 and seven-page count match catalogue asset 1967_1_943_949; every page was read.

The judicial text verifies Civil Appeals Nos. 729 to 732 of 1965, decision date 26 October 1966 and the two-member bench.

Search of content/supreme-court-cases.json found references to Prithvi Insurance in later notes but no published record for this judgment itself.

STATUTORY SCOPE

This decision applies the 'same business' language of former section 24(2) and the 1922 Act's insurance-computation Schedule. The modern carry-forward and insurance-business provisions are different and have not been analysed here.

LATER TREATMENT

Source checked 2026-10-10. Later judicial treatment and present statutory applicability have not been comprehensively checked; no current citator clearance is represented.

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