

Commissioner of Income-tax, Central, Calcutta & Another v. Amalgamated Development Ltd.

Civil Appeals Nos. 169 and 170 of 1966

[1967] 3 SCR 263 | 1967-03-23

Historical land-development business: deductibility of development expenditure on plots sold by a predecessor firm, and whether mortgage security for unpaid sale consideration amounted to receipt under the cash system.

Indian Income-tax Act, 1922: section 10(2)(xv)

3-judge bench; unanimous judgment delivered by V. Ramaswami, J. | J. C. Shah, J. | S. M. Sikri, J. | V. Ramaswami, J.

Assessment years: 1950-51, 1951-52

Distinct from the earlier same-party appeal

This is not the published [1965] 3 SCR 611 slump-sale decision (Civil Appeal No.310 of 1964). It concerns later Civil Appeals Nos.169 and 170 of 1966, different assessment questions and a different primary-source hash.

Commercial-expediency finding was fact-specific

The development work was integrated across the estate and preserved the company's goodwill; the Court did not create a general deduction for every predecessor liability.

Cash-system holding turned on the instruments

A mortgage securing an unpaid balance was not itself payment on these facts. Different settlement, novation or discharge documents may produce a different result.

Historical statute only

The decision does not clear treatment under later income-tax or accounting provisions.

01 FACTS OF THE CASE

Amalgamated Development took over the land-development business, assets and liabilities of Mugneeram Bangur & Co. (Land Department) for Rs.34,99,300 in shares. The predecessor had sold plots while undertaking to lay roads, drains, lighting and sanitary works. For 1950-51 and 1951-52 the company claimed expenditure incurred in completing development, including work benefiting plots sold by the predecessor. A separate plot sale left a balance payable by instalments and secured by a mortgage; the Revenue treated that secured balance as received under the company's cash system. The Tribunal and Calcutta High Court ruled for the company on both issues (SCR pp.264-269; PDF pp.2-7).

Source: [Primary judgment: facts](#)

02 DISCUSSION BY THE HON'BLE COURT

The estate was an integrated development: roads, drainage, lighting and sanitation could not sensibly be allocated only to unsold plots. Completing the predecessor's obligations protected the company's continuing business and goodwill, and the liabilities had not been quantified into the acquisition price. The expenditure was therefore incurred on commercial expediency and was deductible. On the receipt issue, the mortgage deed merely secured the remaining purchase price; it neither discharged the purchaser's debt nor gave the assessee money or a money equivalent. Under the cash system the unpaid secured balance could not be treated as income received (SCR pp.269-272; PDF pp.7-10).

Source: [Primary judgment: discussion](#)

03 JUDICIAL DECISION

The Court agreed with the High Court's answers on both referred questions and dismissed the Revenue's appeals with costs, with one hearing fee (SCR p.272; PDF p.10).

Source: [Primary judgment: decision](#)

04 OUTCOME / IN WHOSE FAVOUR

In favour of Amalgamated Development Ltd. The development expenditure remained deductible and the secured unpaid consideration was not cash-basis income received (SCR pp.269-272; PDF pp.7-10).

Source: [Primary judgment: outcome](#)

05 AKHB REVIEW POINT

AKHB analysis: for assumed development obligations, identify whether the expenditure serves an integrated continuing business and whether the acquisition price already quantified the liability. For cash-basis receipt, ask whether the instrument actually discharged the debtor or merely added security. Keep this decision separate from the 1965 same-party slump-sale appeal (based on SCR pp.269-272; PDF pp.7-10).

Source: [Primary judgment: reviewPoint](#)

SOURCE & VERIFICATION

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

Full 10-page SCR report read and checked. The editorial headnote and adjacent-report boundary text were distinguished from the judicial opinion and operative order.

[Open cited source rendition](#)

Exact source bytes, SHA-256 and 10-page count match catalogue asset 1967_3_263_272; every page was reviewed.

The source verifies Civil Appeals Nos. 169 and 170 of 1966, the stated bench, issues, reasoning and operative result.

No published or archived standalone AKHB note with this source hash, case identity and operative decision was found.

STATUTORY SCOPE

The ruling applies former section 10(2)(xv) of the repealed 1922 Act to assessment years 1950-51 and 1951-52 and a cash-system receipt issue arising from specified sale deeds. It does not determine current deduction, accrual or real-estate accounting rules. No current-law or comprehensive later-treatment clearance was undertaken.

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.

PROFESSIONAL DISCLAIMER

General legal and tax research only; not legal or tax advice. Verify the original judgment, the governing historical statute and subsequent judicial treatment before reliance. The AKHB REVIEW POINT is editorial analysis, not the Court's holding, and no current-law clearance is claimed.