

Union Co-operative Insurance Society Ltd., Bombay v. Commissioner of Income-tax, Bombay

Civil Appeals Nos. 1052 and 1053 of 1966

[1967] 3 SCR 279 | 1967-03-23

Historical insurance-business computation: whether no-claim renewal bonuses actually paid to policyholders were deductible even though the annual accounts placed them in an appropriation account rather than the profit-and-loss account.

Indian Income-tax Act, 1922: section 10(2)(xv) and First Schedule, rule 6 | Insurance Act, 1938: sections 15, 21, 41 and First Schedule, Parts I and II

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

Assessment years: 1957-58, 1958-59

Accounting placement was not conclusive

The Court considered the annual accounts collectively under rule 6; it did not hold that every amount placed in an appropriation account is deductible.

Actual payments, not the entire estimate

The claim covered renewal bonuses actually paid. The Court distinguished the larger estimated amount that might become payable and did not allow a general contingent reserve.

Insurance Act rebate point left open

The argument under section 41 of the Insurance Act had not been raised before the Tribunal, so the Court did not decide it.

Historical scheme only

The reasoning is tied to the former 1922 Act and the then insurance-accounting forms and must not be presented as present-law clearance.

01 FACTS OF THE CASE

For assessment years 1957-58 and 1958-59 the insurer paid Rs.29,615 and Rs.44,920 as no-claim bonuses to policyholders renewing their policies. The Income-tax Officer disallowed the sums because the insurer's Form C treated them as an appropriation of profit rather than charging them in Form B's profit-and-loss account. The appellate authorities and Bombay High Court maintained the disallowance, leading to the insurer's two appeals (SCR pp.280-283; PDF pp.2-5).

Source: [Primary judgment: facts](#)

02 DISCUSSION BY THE HON'BLE COURT

Rule 6 required the officer to take the balance of profits disclosed by the insurer's annual accounts, not one form in isolation. The balance sheet and Forms B and C together showed that the disputed sums were business expenditure. The renewal-bonus scheme promoted the insurer's business by encouraging claim-free policyholders to renew. Although the scheme's broader estimate remained contingent, liability became concrete after a risk year ended and a policy was renewed; the assessee claimed only amounts actually paid. The Court declined to decide the separate section 41 Insurance Act objection because it had not been raised before the Tribunal (SCR pp.282-285; PDF pp.4-7).

Source: [Primary judgment: discussion](#)

03 JUDICIAL DECISION

The Court discharged the High Court's negative answer, answered the referred question affirmatively and allowed both appeals with costs, with one hearing fee (SCR p.285; PDF p.7).

Source: [Primary judgment: decision](#)

04 OUTCOME / IN WHOSE FAVOUR

In favour of the insurer. The no-claim renewal bonuses actually paid in the two years were allowable in computing its taxable insurance profits (SCR pp.284-285; PDF pp.6-7).

Source: [Primary judgment: outcome](#)

05 AKHB REVIEW POINT

AKHB analysis: separate an estimated future pool from the amount that has become payable and was actually paid, and read the complete statutory-accounting return rather than treating a single form label as determinative. This historical result should be remapped to the currently governing tax and insurance provisions before use (based on SCR pp.282-285; PDF pp.4-7).

Source: [Primary judgment: reviewPoint](#)

SOURCE & VERIFICATION

Supreme Court Reports scan - public eSCR mirror

Full 7-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 7-page count match catalogue asset 1967_3_279_285; every page was reviewed.

The source verifies Civil Appeals Nos. 1052 and 1053 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 decision concerns computation of non-life insurance profits under the repealed Indian Income-tax Act, 1922 and the accounting forms then prescribed by the Insurance Act, 1938. It does not establish the current treatment of no-claim bonuses. 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.

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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.