

Commissioner of Income-tax, Mysore, Bangalore v. The Bangalore Transport Company Ltd., Bangalore

Civil Appeal No. 435 of 1966

[1967] 3 SCR 393 | 1967-04-03

Historical part-year business profits: compulsory acquisition and closure before year-end did not erase taxable operating profits already accrued or received during the part of the previous year in which the transport business ran.

Indian Income-tax Act, 1922: sections 3, 4(1)(a), 10(1), 26(2) and 66(1) | Bangalore Road Transport Service Act, 1956: section 3

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

The compensation was not being taxed

Revenue sought tax on operating profit disclosed for 1 April to 30 September 1956, not on the Rs.15,50,000 statutory compensation. The judgment did not classify the compensation or decide what it replaced.

Closure before year-end did not erase part-year receipts

The Court rejected a categorical rule that a business must continue throughout the previous year. It still required the year's accounts and allowable outgoings to determine whether taxable income ultimately existed.

The audited and assessed figures were different

Audited accounts disclosed Rs.4,01,954 as net profit for the operating period. After Rs.97,208 development rebate and other adjustments, the Tribunal assessed Rs.3,16,439. The note does not treat these figures as interchangeable.

Section 26(2) succession was not decided

Whether the assessed profit was the company's 'actual share' after statutory takeover was neither raised before nor decided by the Tribunal. The company also did not argue that Mysore was taxable on the receipts under section 26(2).

Ashokbhai was factually distinguished

That case concerned a partner's right to a share of firm profits arising only on accounts being settled. Here the operating receipts and profits accrued directly to the company during its own business period.

01 FACTS OF THE CASE

Bangalore Transport Company Ltd. operated a public motor-transport service until the Bangalore Road Transport Service Act, 1956 vested its undertaking, assets and documents in the Mysore Government on 1 October 1956 for compensation of Rs.15,50,000. For the previous year ending 31 March 1957, the company returned no business income because the undertaking had been taken over. Its audited accounts nevertheless disclosed Rs.4,01,954 taxable business income for 1 April to 30 September 1956. The officer assessed that amount; the first appellate authority affirmed, and the Tribunal allowed Rs.97,208 development rebate and adjustments, leaving Rs.3,16,439. The Mysore High Court answered the referred taxability question negatively after treating it as whether compensation replaced the profit (SCR pp.394-395; PDF pp.2-3).

Source: [Primary judgment: facts](#)

02 DISCUSSION BY THE HON'BLE COURT

The High Court had addressed the wrong receipt: Revenue did not seek to tax any part of the compensation, but the company's operating profit before takeover. Section 10(1) contained no requirement that business continue for the whole previous year or to year-end. Money or money's worth received in the course of business carried embedded income subject to an ambulatory charge; if year-end accounts showed no overall income, the charge would not crystallize. Here the April-September audited accounts disclosed net operating profit, reduced by allowable outgoings, so closure on 1 October did not remove the tax charge (SCR pp.395-396; PDF pp.3-4). Ashokbhai Chimanbhai did not establish that all profits accrue only at year-end. A partner's right to a share could depend on later account settlement, while these profits arose directly to the company transaction by transaction and could be ascertained at year-end or business closure. The unraised section 26(2) succession question was left undecided (SCR pp.396-398; PDF pp.4-6).

Source: [Primary judgment: discussion](#)

03 JUDICIAL DECISION

The Court discharged the High Court's negative answer, answered the referred question affirmatively, allowed Revenue's appeal and ordered the company to pay the Commissioner's costs in both courts (SCR p.398; PDF p.6).

Source: [Primary judgment: decision](#)

04 OUTCOME / IN WHOSE FAVOUR

In favour of Revenue/the Commissioner. The company remained taxable on Rs.3,16,439 adjusted business profit for the part-year before takeover; compensation character and succession allocation were not decided (SCR pp.397-398; PDF pp.5-6).

Source: [Primary judgment: outcome](#)

05 AKHB REVIEW POINT

AKHB analysis: when business ends mid-year, separate operating receipts, compensation and succession consequences. Close accounts for the actual operating period, map when the taxpayer obtained rights to receipts, deduct allowable outgoings, and then test any specific closure or succession rule. The fact that final annual computation occurs later does not by itself erase directly accrued part-year profit. Do not treat this ruling as a present classification of takeover compensation or a current section 170 opinion (based on SCR pp.395-398; PDF pp.3-6).

Source: [Primary judgment: reviewPoint](#)

SOURCE & VERIFICATION

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

Full 6-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 6-page count match catalogue asset 1967_3_393_398; every page was reviewed.

The source verifies Civil Appeal No. 435 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 judgment concerns business-profit accrual and assessment under the repealed Indian Income-tax Act, 1922 following a statutory takeover under the Bangalore Road Transport Service Act, 1956. It does not determine current business-closure, succession, compulsory-acquisition, compensation, capital-gains or timing consequences under the Income-tax Act, 1961. 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 statutes 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.