

Commissioner of Income-tax, Bombay City & Suburban District, Bombay v. Hukamchand Mills Ltd., Indore

Civil Appeals Nos. 2178 to 2182 of 1966

[1968] 1 SCR 47 | 1967-07-21

Historical territorial accrual on textile sales from Indore: railway receipts taken to self and released to British-Indian purchasers through a bank against payment made the proportionate sales profit accrue in British India, while the precise apportionment question returned to the High Court.

Indian Income-tax Act, 1922: section 66(4) | Indian Income-tax Rules, 1922: Rule 33

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

Assessment years: 1942-43, 1943-44, 1945-46, 1946-47, 1947-48

Territorial setting is historical

British India, the State of Indore, Holkar State stamps and the then taxable-territories framework are integral to the decision. Modern domestic or international nexus rules cannot be inferred without separate statutory analysis.

F.O.R. Indore was not decisive

The Court focused on railway receipts issued to self, their endorsement, bank-controlled delivery and release against payment. The F.O.R. label did not by itself establish that property passed at Indore.

Question No. 2 remained open

The Court decided that income accrued in British India and that a proportionate part was assessable, but remitted the exact Rule 33 apportionment question because the High Court had not addressed the assessee's additional points.

Receipt-basis sales were not the disputed holding

The report separately records Rs.3,35,855 received in British India and taxed on receipt-cum-accrual basis without contest. The Supreme Court dispute concerned the other sales and territorial accrual.

Printed rule-number inconsistency

The reproduced question No. 2 at SCR p.48/PDF p.2 prints Rule 53, while the headnote, assessment history and judicial discussion identify Rule 33. This note preserves that report inconsistency and does not silently treat the isolated Rule 53 printing as a separate governing rule.

01 FACTS OF THE CASE

Hukamchand Mills, incorporated in Indore with a textile mill there, sold goods to merchants in British India during calendar years 1941, 1942, 1944, 1945 and 1946. Orders arose through its Bombay representative, independent brokers or visits by purchasers and brokers to Indore. Although the sales were F.O.R. Indore, the mill consigned the goods to self, endorsed the railway receipts to the buyers and lodged them with the Imperial Bank of India for release against payment. The Income-tax Officer treated profit attributable to the sales as accruing in British India. The Appellate Assistant Commissioner excluded certain Indore-stamped contracts but attributed one-third of the profit on sales of Rs.14,80,059 to British-Indian activities by analogy with Rule 33; the Tribunal agreed and the Bombay High Court answered the territorial question for the assessee (SCR pp.48-51; PDF pp.2-5).

Source: [Primary judgment: facts](#)

02 DISCUSSION BY THE HON'BLE COURT

The Court applied its same-term decision in Pushalal Mansinghka and the reasoning in P. M. Rathod and Bhopal Textiles. Delivery to a carrier under an F.O.R. term was not conclusive where the seller retained control of the documents: the railway receipts were made to self, passed through the bank and reached the purchaser only after the price was paid. On those facts, appropriation was conditional and performance was completed where payment and documentary delivery occurred in British India. The property-passing aspect was not an impermissible new question because it was an aspect of the existing issue about contract formation, performance and accrual (SCR pp.51-52; PDF pp.5-6). The exact apportionment question was not decided because the assessee had raised points on which the High Court had expressed no view (SCR p.53; PDF p.7).

Source: [Primary judgment: discussion](#)

03 JUDICIAL DECISION

The Supreme Court held that income from the disputed sales accrued within British India and that a proportionate part was assessable to Indian income-tax. It answered question No. 3 affirmatively, allowed the appeals and remitted the case to the High Court to answer question No. 2 according to law, with no order as to costs (SCR pp.52-53; PDF pp.6-7).

Source: [Primary judgment: decision](#)

04 OUTCOME / IN WHOSE FAVOUR

In favour of Revenue on territorial accrual, but not a final determination of the precise amount attributable under Rule 33. That apportionment issue returned to the High Court (SCR pp.52-53; PDF pp.6-7).

Source: [Primary judgment: outcome](#)

05 AKHB REVIEW POINT

AKHB analysis: when contractual labels and physical dispatch point differ from documentary control, map each step separately - appropriation, carrier delivery, title-document endorsement, bank presentation, payment and release to the buyer. This report shows why an F.O.R. term alone did not settle historical territorial accrual. It also requires a disciplined outcome label: nexus was resolved for Revenue, while the quantum/apportionment reference remained open (based on SCR pp.51-53; PDF pp.5-7).

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 1968_1_47_53; every page was reviewed.

The source verifies Civil Appeals Nos. 2178 to 2182 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 applies the territorial-accrual framework of the repealed Indian Income-tax Act, 1922 and historical Rule 33 to pre-Independence sales involving British India and the erstwhile State of Indore. It does not determine modern source, permanent-establishment, cross-border attribution, goods-transfer or income-computation rules. No current-law or 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.