

Dalhousie Investment Trust Company Ltd. v. Commissioner of Income-tax (Central), Calcutta

Civil Appeals Nos. 581 to 584 of 1966

[1968] 2 SCR 353 | 1967-11-22

Share-sale characterisation: on the proved course of conduct, McLeod group shares were acquired and sold for profit in an adventure in the nature of trade, so the surplus was taxable revenue receipt rather than capital gain.

Indian Income-tax Act, 1922: section 2(4) (business, including an adventure in the nature of trade) and section 10 business-income principles

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

Assessment years: 1953-54 (expressly identified in the report; the other relevant years in the four connected appeals are not individually enumerated in this report)

Earlier departmental treatment was not binding

Acceptance of investment treatment in earlier years did not bind the assessment of later years. The holding does not dispense with proof; it rests on the distinct evidence assembled for the relevant transactions.

Objects clause alone did not decide the case

The power to deal in securities was relevant, but the Court also relied on falling-price purchases, interest-bearing borrowings, sub-one-percent yield, the failed control explanation, profitable resale and later conduct.

Book classification did not override substance

The shares had not been shown as stock-in-trade in the accounts. The Court nevertheless found that the actual acquisition and sale conduct established an adventure in the nature of trade.

Connected years not fully enumerated

The report expressly identifies assessment year 1953-54 while disposing of four connected appeals and referring more generally to the relevant previous years. No unstated assessment years have been supplied.

01 FACTS OF THE CASE

Dalhousie Investment Trust principally invested capital in shares and securities and derived dividends and interest, but its memorandum also authorized dealing in them. The dispute concerned McLeod & Co. and allied-company shares, including 6,900 McLeod shares bought in lots between 1948 and 1950 and sold on 27 May 1952. After an earlier Supreme Court remand, the Tribunal supplied additional findings about the purchases, the asserted loss of Kanoria-group control and the sale. The assessee claimed investment treatment and said it sold because control passed from the Kanoria group; the record did not prove that explanation (SCR pp.354-355; PDF pp.2-3).

Source: [Primary judgment: facts](#)

02 DISCUSSION BY THE HON'BLE COURT

Earlier acceptance of investment treatment did not bind later assessment years. The Court examined the specific conduct: purchases continued while the market fell; about Rs.8 lakh was borrowed at interest to buy the shares; after interest and super-tax the yield was below one percent; the shares were later sold at considerable profit; and the asserted control shift was neither proved nor chronologically supported because the Kanoria group still held a majority when the sale occurred (SCR pp.356-357; PDF pp.4-5). Purchases made again in a rising market after control had passed away further supported the Tribunal's inference that the McLeod holdings were traded for profit. Although the accounts never called the shares stock-in-trade, the evidence established that the initial purchases and sales were directed to resale profit and therefore constituted an adventure in the nature of trade (SCR pp.358-359; PDF pp.6-7).

Source: [Primary judgment: discussion](#)

03 JUDICIAL DECISION

The Court held the High Court correct that income from sale of the shares and securities in the relevant previous years was revenue receipt taxable under the 1922 Act. Civil Appeals Nos.581 to 584 of 1966 were dismissed with costs, with one hearing fee (SCR p.359; PDF p.7).

Source: [Primary judgment: decision](#)

04 OUTCOME / IN WHOSE FAVOUR

In favour of Revenue/the Commissioner. The transaction surplus was taxable business revenue because the proved purchases and sales were an adventure in the nature of trade, not realization of investments (SCR pp.358-359; PDF pp.6-7).

Source: [Primary judgment: outcome](#)

05 AKHB REVIEW POINT

AKHB analysis: share characterisation requires a transaction-level evidence matrix, not a single label—initial purpose, financing cost, expected yield, purchase and sale timing, control rights, accounting presentation, surrounding conduct and the credibility of the stated exit reason. Prior-year acceptance and balance-sheet treatment are relevant but not conclusive. Apply current statutory, accounting and judicial standards separately; this historical factual inference does not convert every actively managed portfolio into trading stock (based on SCR pp.356-359; 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 1968_2_353_359; every page was reviewed.

The source verifies Civil Appeals Nos. 581 to 584 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 repealed Indian Income-tax Act, 1922 to a fact-intensive share-dealing record. Its trading-versus-investment reasoning may be historically instructive but does not supply present-law classification, accounting or capital-gains clearance under the Income-tax Act, 1961. No later-treatment search 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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