

Khan Bahadur Ahmed Alladin & Sons v. Commissioner of Income-tax, Andhra Pradesh

Civil Appeals Nos. 708 to 710 of 1966

[1968] 2 SCR 439 | 1967-11-24

Purchase and rapid part-sale of the Bren Gun Factory: the composite evidence of borrowing, pre-arranged associated-company sales, debt liquidation, low property yield and substantial profit established an adventure in the nature of trade.

Hyderabad Income-tax Act: sections 3, 3(1), 8 and 31(3) | Indian Income-tax Act, 1922: sections 2(4), 4, 6, 23(3) and 66(1)

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

Assessment years: 1358 Fasli, 1953-54, 1954-55

No single adventure-in-trade formula

The Court expressly rejected an abstract or universal test. Classification depended on the total impression of all proved facts and circumstances.

Land resale is not automatically trade

An intention to resell, even for profit, does not by itself make every land transaction a trading adventure; financing, conduct, related sales, holding economics and implementation were assessed together.

Associated-company chronology was probative

A purchaser-company board resolution predated the assessee's formal acceptance, and the first onward sale followed within roughly three months. These facts undermined the asserted long-term industrial-investment purpose.

Report contains a source inconsistency

SCR p.440/PDF p.2 states the stores price as Rs.8 lakh, while SCR p.446/PDF p.8 recounts the negotiated stores price as Rs.9 lakh. The note preserves that inconsistency and does not invent a reconciliation.

Tribunal statement-of-case warning

The Court criticised the statement of case for omitting parties' arguments and clear factual findings. It required a precise, intelligible summary rather than an order-sheet copy or an invitation to reconstruct findings from documents.

01 FACTS OF THE CASE

Khan Bahadur Ahmed Alladin & Sons bought the Bren Gun Factory from the Government of India: 403 acres, 14 factory buildings, about 100 residential quarters, railway sidings, furniture and stores. It resold stores and 46 acres with buildings and other assets at substantial surpluses. The firm admitted that the store transactions were trading but said the land and buildings were an investment intended for a bicycle or other industry. The tax authorities and Tribunal treated the property transaction as a calculated profit-making scheme, and the Andhra Pradesh High Court answered the section 66(1) reference against the assessee. The three appeals covered assessment years 1358 Fasli, 1953-54 and 1954-55 (SCR pp.440-442; PDF pp.2-4).

Source: [Primary judgment: facts](#)

02 DISCUSSION BY THE HON'BLE COURT

Whether an isolated transaction is an adventure in the nature of trade is a mixed question of law and fact. The Tribunal must identify primary evidentiary facts and apply the legal content of trade; no single test or formula replaces the total impression of all relevant circumstances. Land purchased with a resale intention is not automatically trading stock, but the surrounding facts may establish a commercial venture (SCR pp.442-446; PDF pp.4-8). Here, the assessee used borrowed funds and little of its own capital; a related asbestos-company resolution concerning the site preceded formal acceptance of the Government's offer; the first onward sale occurred within about three months; direct sales followed to associated companies; and receipts were used to meet the Government price and bank debt. Within a year, sales of stores and 46 acres with buildings produced an aggregate profit stated as Rs.11,90,661. Property income was only about one-sixth of annual interest on the acquisition financing, and correspondence did not prove a viable cycle-factory or other industrial plan. Together, these facts established a profit-making adventure rather than permanent investment (SCR pp.446-448; PDF pp.8-10). The Court also criticised the Tribunal's statement of case for omitting arguments, intelligible factual findings and precise conclusions (SCR p.449; PDF p.11).

Source: [Primary judgment: discussion](#)

03 JUDICIAL DECISION

The Supreme Court held that purchase of the Bren Gun Factory site and buildings was an adventure in the nature of trade and part of a profit-making scheme. It dismissed Civil Appeals Nos.708 to 710 of 1966 with costs and one hearing fee (SCR pp.448-449; PDF pp.10-11).

Source: [Primary judgment: decision](#)

04 OUTCOME / IN WHOSE FAVOUR

In favour of the Commissioner/Revenue. The assessee's investment characterisation failed and the three appeals were dismissed (SCR pp.448-449; PDF pp.10-11).

Source: [Primary judgment: outcome](#)

05 AKHB REVIEW POINT

AKHB analysis: for a land-or-industrial-asset classification file, construct a contemporaneous chronology of negotiations, financing, related-party resolutions, onward sales, debt retirement, holding income and the taxpayer's documented operational plan. Do not rely on a single label such as investment or on resale intention alone. For reference proceedings, the Tribunal's statement should distinctly record the issues, rival submissions, primary facts and findings so the court is not asked to reconstruct the case (based on SCR pp.442-449; PDF pp.4-11).

Source: [Primary judgment: reviewPoint](#)

SOURCE & VERIFICATION

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

Full 11-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 11-page count match catalogue asset 1968_2_439_449; every page was reviewed.

The source verifies Civil Appeals Nos. 708 to 710 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 applies the Hyderabad Income-tax Act and the repealed Indian Income-tax Act, 1922 to historical assessment years. Its fact-intensive trade-versus-investment analysis should not be presented as automatic classification under current business-income or capital-gains provisions. 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.

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.