

Rajputana Trading Co. Ltd. v. Commissioner of Income-tax, West Bengal

Civil Appeal No. 1227 of 1967 — Supreme Court certificate appeal / Income-tax Reference No. 215 of 1961 — Calcutta High Court originating reference; report uses plural Nos. with one number

[1969] 1 SCR 1013 | 1968-09-05

A remitted trading liability originally deducted in speculation business retained that character as deemed business income, making it available against speculation losses under the historical section 24.

1922 Act: 10(2A) | 1922 Act: 24

3 Judges | J. C. Shah | V. Ramaswami | A. N. Grover

01 FACTS OF THE CASE

The company carried on speculative and other business and used mercantile accounts. For AY 1955-56 it credited ₹78,749 of liabilities for speculative differences to profit and loss after creditors waived payment. Those liabilities had previously supported deductions in computing speculation results. The officer taxed the remission under section 10(2A), but refused set-off against current or brought-forward speculation losses. The Tribunal treated the statutory business income as requiring no further classification; the Calcutta High Court agreed.

Source: [SCR1014C-1015E: amounts, deduction history and assessment route.](#)

02 DISCUSSION BY THE HON'BLE COURT

Grover J held that the statutory fiction had to receive its necessary consequences. Once remission of a known speculative liability became business profit, its direct and proximate connection with that business remained. Treating it as income from an unidentified business would detach the receipt from the deduction that created the charge. Section 24 required classification of profits and losses as speculative or non-speculative. Donald Miranda, concerning refunded excess-profits tax, supplied a useful analogy, although it was not directly in point. This reasoning did not create a second fiction: it identified the business to which the first fiction already related.

Source: [SCR1016A-1017H: fiction, business nexus and section24.](#)

03 JUDICIAL DECISION

The ₹78,749 was profit arising from speculation business. The referred question had to be answered affirmatively in the assessee's favour. Section 41 of the 1961 Act was mentioned as a reenactment with changes; liability under that provision was not adjudicated.

Source: [SCR1017F-1018B: speculative character and affirmative answer.](#)

04 OUTCOME / IN WHOSE FAVOUR

Assessee appeal allowed; High Court answer discharged. The remission was available for the claimed speculation-loss treatment under the governing old-Act provisions. Each party to bear its own costs.

Source: [SCR1018B-C: allowance and own costs.](#)

05 AKHB REVIEW POINT

Trace the earlier deduction, the remitted liability and the particular business before classifying recapture income. This decision does not dispense with the applicable set-off conditions or establish that every accounting write-back has the same character. Modern remission and speculation provisions require their own version-specific analysis.

Source: [SCR1016A-D,1017C-H: limited reenactment mention and identifiable business.](#)

SOURCE & VERIFICATION

Original reported Supreme Court judgment

6-page retained public-mirror SCR report. The complete report was read as text and page images. The acquisition URL is preserved provenance; current endpoint availability and authentication as a signed original are not newly verified. All six physical text/image pages, SCR1013-1018. Target caption starts physical 1 top; headnote spans physical 1–physical 2 top; Grover J opinion begins physical 2 SCR1014 C and ends physical 6 SCR1018 C, appeal allowed and parties own costs. No preceding or following judgment. All passages belong to target except clearly quoted authorities.

Open cited source rendition

STATUTORY SCOPE

Indian Income-tax Act, 1922; 10(2A), 24

Displayed 2025 section 41(1) covers recapture after an allowed deduction, including specified successor and unilateral-write-off cases, while 73 confines speculation-loss set-off and carry-forward. Section 41(5)'s discontinued-business concession expressly excludes speculation losses; it is not the source of an unrestricted set-off.

2025 sections 38(1)(a), (2)(a), (4) address recapture and successors; 38(3) likewise excludes speculation losses from its discontinued-business concession. Section 113 separately governs speculation-loss set-off and four-year carry-forward. The provisions are compared textually; this judgment did not decide their application.

The holding applies the historical 1922 Act. The 2025 Act generally commences 1 April 2026; selected 536(1), (2)(a)–(e), (3)–(4) preserve earlier operation and specified proceedings. Only identified versions/passages were checked; no complete savings, amendment-history or present-case applicability assessment is claimed.

LATER TREATMENT

Source checked 2026-10-08. No specific later judicial treatment is adopted; this is not a finding that later treatment is absent.

Comprehensive subsequent history and present-law applicability remain unverified.

Primary authorities cited within this judgment are not later-use evidence.

IDENTIFIED SOURCE LINKS

[Income-tax Act,1961: 41\(1\),41\(5\)](#)

Displayed2025 Web 65-76 and 106; own reading includes Explanation 1 and Explanation 2(i)-(iii), not Explanation 2(iv). Exact stated web text personally read, including cross-page continuations. No original HTML/PDF or images, whole-Act or automatic case-applicability claim.

[Income-tax Act,1961: 73](#)

Displayed2025 Web63-74, full73andExplanation. Exact stated web text personally read, including cross-page continuations. No original HTML/PDF or images, whole-Act or automatic case-applicability claim.

[Income-tax Act,2025: 38 and 113](#)

As amended byFinance Act,2026 Web2933-3005and7072-7096, includingcrosspagecontinuations. Exact stated web text personally read, including cross-page continuations. No original HTML/PDF or images, whole-Act or automatic case-applicability claim.

[Income-tax Act,2025: commencement and selectedsavings](#)

As amended byFinance Act,2026 1(1)-(3)web 0-13;536(1), (2)intro/(a)-(e)web 24385-24408;536(3)-(4)24597-24601. Notfull536. Exact stated web text personally read, including cross-page continuations. No original HTML/PDF or images, whole-Act or automatic case-applicability claim.

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