

# Commissioner of Income-tax, Bangalore v. Union of Tile Exports, Bangalore

Civil Appeal Nos. 1769-1771 of 1967

[1969] 2 SCR 55 | 1968-09-10

**Part B State concessions: contracts made at Bangalore were an integral profit-producing operation, requiring reasonable apportionment among Bangalore, Feroke and Ceylon rather than treating all profit as arising in taxable territory.**

Indian Income-tax Act, 1922: sections 4(1)(a), 42(3) and 66(1) | Part B States (Taxation Concessions) Order, 1950: paragraphs 4(1)(iii), 6, 6A and 7

3-judge bench | J.C. Shah, J. | V. Ramaswami, J. | A.N. Grover, J.

Assessment years: 1951-52, 1952-53, 1953-54

## Historical Part B State concession

The concession order and taxable-territory framework are historical. The judgment should not be presented as a current cross-border sourcing or treaty rule.

## 01 FACTS OF THE CASE

The Bangalore firm was sole selling agent for specified Ceylon territories for tiles made at Feroke. Prices were FOB Beypore; an employee at Calicut supervised delivery and chartered vessels; shipping documents went to Bangalore, where the firm submitted hundis, invoices and documents to its bank under the Ceylon purchaser's letter of credit. For assessment years 1951-52 to 1953-54, it claimed Part B State concessions. Tax authorities treated hardly any profit-producing activity as occurring at Bangalore. The Mysore High Court instead found operations at Bangalore, Feroke and Ceylon and allowed concessions for the reasonably apportioned Bangalore and Ceylon portions.

Source: [SCR pp. 56-58](#) / [PDF pp. 2-4](#)

## 02 DISCUSSION BY THE HON'BLE COURT

Section 42(3) required reasonable apportionment when not all business operations producing profit occurred within taxable territories. The Court rejected Revenue's attempt to confine profit production to manufacturing, shipping and delivery outside Bangalore. Making the contracts at Bangalore was an integral part of the selling operations: the later purchase, shipment and collection activity proceeded under those contracts. Because at least part of the profit-producing activity took place there, the High Court's three-location analysis and consequent concession treatment could not be displaced.

Source: [SCR pp. 58-59 / PDF pp. 4-5](#)

## 03 JUDICIAL DECISION

The Supreme Court affirmed that contract formation at Bangalore was an integral business operation, upheld the High Court's apportionment/concession conclusion and dismissed all three Revenue appeals with costs.

Source: [SCR p. 59 / PDF p. 5](#)

## 04 OUTCOME / IN WHOSE FAVOUR

In favour of the assessee. Profits were not treated as arising wholly in one taxable-territory location; the historical concessions applied to the properly apportioned Bangalore and Ceylon business operations.

Source: [SCR pp. 57-59 / PDF pp. 3-5](#)

## 05 AKHB REVIEW POINT

AKHB analysis: territorial profit attribution requires a functional map of each operation that materially produces the profit, including contract formation where it sets the later transaction in motion. Do not allocate solely by registered office, receipt location, manufacture or delivery. The apportionment principle remains historically useful, but the operative concession order and taxable-territory framework must not be imported into a current statute or treaty analysis.

Source: [AKHB analysis based on SCR pp. 57-59 / PDF pp. 3-5](#)

## SOURCE & VERIFICATION

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

Full 5-page SCR report read; editorial headnote on PDF page 1 distinguished from the judicial opinion on PDF pages 2-5.

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3010a3f2a246caa3ead41e45d48bcc0830f47e89702dc30b93ab56630ab69c9; 5 PDF pages.

SCR cover and judicial caption verify 10 September 1968, Civil Appeal Nos. 1769-1771 of 1967 and the three-member bench; Grover J. delivered the opinion.

### **STATUTORY SCOPE**

The case concerns the Indian Income-tax Act, 1922 and the historical Part B States (Taxation Concessions) Order, 1950. Its result is not a current territorial-income or treaty rule.

### **LATER TREATMENT**

Source checked 2026-10-10. Later statutory changes and subsequent treatment have not been comprehensively checked. No current-law clearance is asserted.

### **AI DISCLOSURE**

AI-assisted research. The AKHB Review Point is editorial analysis, not part of the Court's judgment.

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