

M.R. Goyel, proprietor, Milkhiram Brothers v. Commissioner of Income-tax, Bombay City-I

Civil Appeal No. 681 of 1968

[1969] 3 SCR 669 | 1969-02-12

A sum received for transferring the benefit of a parachute-purchase contract was revenue profit from a venture in the nature of trade, not consideration for a capital source or partnership share.

Indian Income-tax Act, 1922: sections 34 and 66 (procedural setting)

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

Assessment years: 1947-48

Fact-specific trading-venture finding

The revenue character follows the Tribunal's finding that this contract was a venture in the nature of trade and the financing arrangement created no partnership.

01 FACTS OF THE CASE

The assessee obtained a contract in October 1946 to buy about 128,499 Government parachutes through Tata Aircraft Ltd. for roughly Rs. 93.5 lakh and had to deposit Rs. 10 lakh earnest money. Lacking funds, he arranged financing in return for a nine-annas share of net profit. That arrangement was withdrawn, and the benefit of the purchase contract was transferred to Pokhraj Hirachand for an agreed Rs. 3 lakh; only Rs. 1,87,000 was proved received. The assessment for 1947-48 was reopened. The Tribunal found the receipt to be profit from a venture in the nature of trade, and the Bombay High Court upheld that conclusion.

Source: [SCR pp. 670-671](#) / [PDF pp. 2-3](#)

02 DISCUSSION BY THE HON'BLE COURT

The Court treated the Tribunal's finding—he intended to do and did a venture in the nature of trade—as decisive. The assessee acquired a trading opportunity, obtained financing and transferred the contract benefit for a sum representing the anticipated profit from acquiring the parachutes. The transfer was therefore not shown to be disposal of a capital source. The alternative claim that the sum represented relinquishment of a partnership share had not been raised before the Tribunal and failed on facts in any event: the October arrangement was between a person needing money and financiers, not a partnership. Because the case rested on a trading-venture finding, the Court found it unnecessary to decide whether the contract itself formed part of ordinary stock-in-trade.

Source: [SCR pp. 672-673 / PDF pp. 4-5](#)

03 JUDICIAL DECISION

The Supreme Court upheld the answer that Rs. 1,87,000 was a revenue receipt liable to income tax and dismissed the assessee's appeal with costs.

Source: [SCR p. 673 / PDF p. 5](#)

04 OUTCOME / IN WHOSE FAVOUR

In favour of Revenue. The proved Rs. 1,87,000 receipt remained taxable as trading profit; the asserted capital and partnership-share explanations failed.

Source: [SCR pp. 672-673 / PDF pp. 4-5](#)

05 AKHB REVIEW POINT

AKHB analysis: contract-assignment receipts require examination of the transaction's commercial design, the assessee's trade, financing, performance steps and the factual findings below. A label such as transfer of a source or retirement from partnership cannot displace evidence that the assessee acquired and monetised a single trading venture. Preserve issues before the Tribunal; a new factual theory may not be available at reference or appellate stages.

Source: [AKHB analysis based on SCR pp. 671-673 / PDF pp. 3-5](#)

SOURCE & VERIFICATION

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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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SCR cover and judicial caption verify Civil Appeal No. 681 of 1968, 12 February 1969 and the three-member bench; Grover J. delivered the opinion.

STATUTORY SCOPE

The judgment applies the 1922 Act to a fact-specific venture-in-the-nature-of-trade finding. It does not establish that every assignment of a contract is revenue income or state the current capital-gains/business-income boundary.

LATER TREATMENT

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

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