

Karam Chand Thapar & Bros. (P) Ltd. v. Commissioner of Income-tax (Central), Calcutta

Civil Appeals Nos. 1594-1595 of 1968

[1969] 3 SCR 796 | 1969-02-20

Business-income and loss timing under the 1922 Act: an isolated colliery development and sale produced taxable revenue because it was integrated with the assessee's coal-mining business, while a Dry Ice Factory sale loss accrued only when its price was settled and was deductible in that year's assessment under section 24(1).

Indian Income-tax Act, 1922: sections 6, 24(1), 24(2) and 66(1)

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

Assessment years: 1949-50, 1950-51

Mixed result must remain explicit

The colliery-profit questions were answered for Revenue, but the Dry Ice Factory loss question was answered for the assessee. The disposition cannot accurately be labelled wholly in favour of either side.

Isolated transaction not automatically capital

Taxability depended on the Tribunal's finding that prospecting, developing and selling the colliery formed part of the assessee's coal-mining business. The Court said no uniform classification rule could replace evaluation of all relevant facts.

Loss timing, not carry-forward continuity

The Dry Ice business had been sold in October 1948, but the price and therefore the loss were settled in December 1949. The Court treated the loss as arising in accounting year 1949-50 under section 24(1), not as an earlier loss requiring section 24(2) carry-forward.

Source boundary

The eight-page PDF begins with this case's headnote and ends with its partly allowed disposition; no adjacent-report text was treated as part of the judgment.

01 FACTS OF THE CASE

The assessee company carried on several businesses, including coal mining and a Dry Ice Factory at Lahore. It obtained a Chirimiri Colliery prospecting licence from the State of Korea in 1944, prospected and developed the colliery, and sold it, earning Rs.51,550 in accounting year 1948-49 and Rs.8,756 in accounting year 1949-50. Revenue, the Tribunal and the High Court treated both gains as business profits. Separately, the assessee sold its Dry Ice Factory in September 1948; the buyer took possession on 1 October 1948, but the price was finally settled only in December 1949, producing a Rs.34,891 loss. The authorities and High Court denied that loss in AY 1950-51 (SCR pp.797-799; PDF pp.2-4).

Source: [Primary judgment: facts](#)

02 DISCUSSION BY THE HON'BLE COURT

For the colliery, the Court distinguished mere realisation of an investment from a trading operation undertaken for profit. No single fact or uniform rule was decisive, and even an isolated transaction could be revenue where intimately related to the taxpayer's normal business. On the Tribunal's findings that the assessee already conducted coal mining and that prospecting, developing and selling the colliery formed part of that business, the two gains were taxable (SCR pp.799-801; PDF pp.4-6). For the factory loss, section 24(1) permitted a loss arising under one head in a year to be set off against income under another head in that year, while section 24(2) addressed unabsorbed business loss carried forward. Because the sale price was not settled until December 1949, no loss accrued earlier; it arose in accounting year 1949-50 and was deductible in the AY 1950-51 computation under section 24(1), despite cessation of the factory business (SCR pp.801-803; PDF pp.6-8).

Source: [Primary judgment: discussion](#)

03 JUDICIAL DECISION

The Court affirmed the High Court's answers that the two colliery gains were revenue and taxable. It discharged the High Court's answer on the Dry Ice Factory loss and answered that question in the affirmative and for the company. The appeals were allowed in part; there was no Supreme Court costs order, and the High Court costs order remained (SCR p.803; PDF p.8).

Source: [Primary judgment: decision](#)

04 OUTCOME / IN WHOSE FAVOUR

Mixed final result. Revenue retained taxation of the Rs.51,550 and Rs.8,756 colliery gains; the assessee obtained deduction of the Rs.34,891 factory loss in AY 1950-51 (SCR pp.801, 803; PDF pp.6, 8).

Source: [Primary judgment: outcome](#)

05 AKHB REVIEW POINT

AKHB analysis: classify an isolated asset transaction by its relationship to the taxpayer's established operations, development activity and profit-making purpose rather than by frequency alone. For a sale loss, identify when the legally relevant amount became fixed before analysing continuity or carry-forward; a later price settlement may place accrual in a year different from possession or transfer. Present separate issues and results distinctly when the appeal is split (based on SCR pp.799-803; PDF pp.4-8).

Source: [Primary judgment: reviewPoint](#)

SOURCE & VERIFICATION

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

Full 8-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 8-page count match catalogue asset 1969_3_796_803; every page was reviewed.

The source verifies Civil Appeals Nos. 1594-1595 of 1968, 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 business-income and loss set-off provisions of the repealed Indian Income-tax Act, 1922. The outcome is tied to the Tribunal's factual findings and the accrual timing of a 1949 price settlement. It does not establish current capital/revenue classification or current loss set-off treatment, and no 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.

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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.