

Commissioner of Income-tax, Madhya Pradesh v. Lady Kanchanbai

Civil Appeal No. 19 of 1969

[1970] 3 SCR 323 | 1969-12-16

Historical previous-year option: a newly taxable Madhya Bharat business source had not been previously assessed merely because its income had entered a world-income rate computation.

Indian Income-tax Act, 1922: sections 2(11)(i)(a) and 66(1) | Finance Act, 1950: extension of taxable territories discussed

2-judge bench | J. C. Shah, J. | K. S. Hegde, J.

Assessment years: 1950-51

Separate source required

The option turned on the Madhya Bharat businesses being separate sources and not previously subjected to tax. It was not a general permission to change every accounting year.

Rate computation was not assessment to tax

Earlier inclusion in world income affected the rate applied elsewhere; no tax had been imposed on the source itself. Preserve that distinction.

Historical territorial transition

The case arose from the 1950 enlargement of taxable territories and the 1922 Act's previous-year definition, not current residence or accounting-period provisions.

01 FACTS OF THE CASE

The assessee was a Hindu undivided family headquartered at Indore with property and several business activities. Before AY 1950-51 it was assessed as a non-resident HUF. Income from businesses in the former Madhya Bharat State was outside taxable territories and entered only the world-income computation used to determine the rate; it was not itself taxed. After the Constitution and Finance Act, 1950 brought those areas within taxable territories, the Madhya Bharat income became taxable for AY 1950-51. Although the assessee had used a Diwali-closing account year in earlier returns, it chose the financial year ending 31 March 1950 as the previous year for those business sources. The officer and AAC rejected that choice, but the Tribunal and Madhya Pradesh High Court accepted it.

Source: [SCR pp. 324-325 / PDF pp. 2-3](#)

02 DISCUSSION BY THE HON'BLE COURT

Section 2(11)(i)(a) operated by separate source, not by the assessee's income generally. Unless the option had already been exercised and the proviso applied, the default previous year was the twelve months ending on 31 March; an assessee could therefore have different previous years for separate sources. The Madhya Bharat businesses were practically identifiable separate sources. The proviso restricted a later variation only where the source had once been assessed. In context, assessed meant subjected to levy or imposition of tax, not merely included in a computation. Past use of the Madhya Bharat income to calculate world income and a rate did not impose tax on that source. Consequently, neither the source nor the assessee in respect of that source had been previously assessed within the proviso.

Source: [SCR pp. 325-327 / PDF pp. 3-5](#)

03 JUDICIAL DECISION

The Supreme Court agreed that the Madhya Bharat businesses had not previously been assessed to tax and that the assessee's financial-year return fell within the first part of section 2(11)(i)(a). It affirmed the High Court's answer for the assessee and dismissed Revenue's appeal with costs.

Source: [SCR p. 327 / PDF p. 5](#)

04 OUTCOME / IN WHOSE FAVOUR

In favour of the assessee on the previous-year choice for the newly taxable sources. The judgment did not remove the Madhya Bharat income from AY 1950-51 taxation; it determined the relevant accounting period for computing that income.

Source: [SCR p. 327 / PDF p. 5](#)

05 AKHB REVIEW POINT

AKHB analysis: when applying an archival accounting-period election, identify each separate source, the precise territorial and charging change, and whether that source was actually subjected to tax before the claimed election. Do not equate rate-purpose inclusion, information reporting or computational reference with a levy on the source. Also distinguish a first valid source-specific choice from a later variation requiring consent. Current accounting-period and residence provisions must be checked independently.

Source: [AKHB analysis based on SCR pp. 325-327 / PDF pp. 3-5](#)

SOURCE & VERIFICATION

Supreme Court Reports scan - public eSCR mirror

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

Open cited source rendition

All five source pages were read; exact PDF bytes, SHA-256 hash and page count match catalogue asset 1970_3_323_327.

The printed report verifies Civil Appeal No. 19 of 1969, the two-judge bench and the opinion by K. S. Hegde J.

The citation year 1970 is the SCR report year; the decision date printed in the source is 16 December 1969.

The source uses assessee for a Hindu undivided family despite the party name Lady Kanchanbai; no individual-status inference is added.

STATUTORY SCOPE

The holding applies section 2(11)(i)(a) of the Indian Income-tax Act, 1922 during the Finance Act, 1950 expansion of taxable territories. It is not a present-law accounting-period election or residence rule; current statutory application requires independent verification.

LATER TREATMENT

Source checked 2026-10-10. Comprehensive later treatment and current statutory equivalence have not been verified; no current-law or citator clearance is represented.

AI DISCLOSURE

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

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