

Commissioner of Income-tax, West Bengal II v. Rajasthan Mines Ltd., Calcutta

Civil Appeals Nos. 1627 and 1628 of 1968

[1971] 1 SCR 517 | 1970-05-05

Purchased rent and royalty arrears, and the evidentiary basis for treating a property resale as a trading adventure.

Indian Income-tax Act, 1922: section 66(1); assessment of business income

3-judge bench | J. C. Shah, J. | K. S. Hegde, J. | A. N. Grover, J.

Assessment years: 1948-49, 1950-51

Historical statutory scope

The decision concerns the 1922 Act and the particular purchased rights and primary facts. It does not decide all capital-gains consequences or exempt every receipt of rent, royalty or sale proceeds.

01 FACTS OF THE CASE

The company acquired proprietary interests in mineral-bearing lands and the vendors' rights to pre-conveyance arrears of rent and royalty. Revenue assessed arrears of Rs.2,55,733 and Rs.3,00,332 and a recomputed property-sale surplus of Rs.2,80,000. The Tribunal treated the subsequent sale as a trading transaction, relying on the company objects, indebtedness, restricted mining opportunities, profit and short holding period. The High Court answered both referred questions for the company.

Source: [SCR pp. 518-520 / PDF pp. 2-4](#)

02 DISCUSSION BY THE HON'BLE COURT

The company received the arrears as purchaser of existing rights, rather than as owner earning rent or royalty before the conveyance. Whether the arrears had influenced the price did not alter that character. On the sale surplus, the primary facts individually and collectively did not rationally establish an adventure in trade. A power to deal in properties, a profitable sale and a short interval were not decisive on this record. Although reference jurisdiction is limited, an inference may be challenged where unsupported by legal evidence or not rationally possible from the proved facts.

Source: [SCR pp. 520-521 / PDF pp. 4-5](#)

03 JUDICIAL DECISION

The Court agreed that both questions must be answered in favour of the assessee and dismissed Revenue's appeals. It sustained the High Court's rejection of the impugned income assessments on the purchased arrears and property-sale surplus.

Source: [SCR p. 521 / PDF p. 5](#)

04 OUTCOME / IN WHOSE FAVOUR

The assessee prevailed on both referred questions. The ruling rests on the character of the purchased rights and the absence of an evidentiary basis for the particular trading inference.

Source: [SCR pp. 520-521 / PDF pp. 4-5](#)

05 AKHB REVIEW POINT

AKHB analysis: distinguish income accruing from ownership from acquisition of a pre-existing receivable. Preserve conveyances, accrual dates and acquisition-purpose evidence. For a trading-adventure dispute, analyse the combined facts instead of treating an objects clause, resale profit or short holding period as conclusive. A reference challenge to a factual inference needs the specific evidentiary or rationality defect.

Source: [AKHB analysis based on SCR pp. 520-521 / PDF pp. 4-5](#)

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STATUTORY SCOPE

The decision concerns the 1922 Act and the particular purchased rights and primary facts. It does not decide all capital-gains consequences or exempt every receipt of rent, royalty or sale proceeds.

LATER TREATMENT

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