

Amarchand Sobhachand v. Commissioner of Income-tax, Madras

Civil Appeal No. 949 of 1966

[1971] 3 SCR 415 | 1971-01-21

Bad-debt deduction required a business nexus; after two supplementary references, the Tribunal's supported factual finding that the advances related to neither the money-lending business nor any other business bound the Court.

Indian Income-tax Act, 1922: section 10(2)(xi) | Indian Income-tax Act, 1922: sections 66(1) and 66(2)

Three-judge bench; final judgment delivered by K. S. Hegde, J. | J. C. Shah, C.J. | K. S. Hegde, J. | A. N. Grover, J.

Assessment years: 1953-54 (SCR p.417; the final narrative at SCR p.421 instead says 1952-53 while referring to the same Samvat year 2008)

Composite decision date

The report spans 29 July 1969, 7 April 1970 and 21 January 1971. The final merits judgment and dismissal occurred on 21 January 1971.

Assessment-year inconsistency

SCR p.417 states assessment year 1953-54; the final narrative at SCR p.421 states 1952-53 while identifying the same Samvat year 2008. Preserve this source inconsistency and do not silently choose a correction.

Provision label

The report headnote appears to print section 10(2)(vi), but the quoted statutory text and the Court's discussion consistently concern section 10(2)(xi).

Factual finding, not universal rule

The deduction failed because the Tribunal found no nexus with either business and that supported factual finding bound the Court. The judgment does not establish that advances to a related concern can never be business bad debts.

No current-law clearance

Later treatment and current statutory equivalence have not been comprehensively verified.

01 FACTS OF THE CASE

The assessee firm carried on businesses in drugs, chemicals, mercury, camphor and silk yarn as well as money-lending. It maintained a running account with the related Bombay firm Bhojaji Sobhachand, which became insolvent in April 1952. The assessee wrote off Rs.2,68,385 due at the foot of that account and claimed it as a bad debt. The Income-tax Officer, Appellate Assistant Commissioner and Tribunal rejected the claim, treating the advances as accommodations unconnected with either regular business. On reference, the Madras High Court answered against the assessee (SCR pp.416-418; PDF pp.2-4).

Source: [Primary judgment: facts](#)

02 DISCUSSION BY THE HON'BLE COURT

Section 10(2)(xi) required separate attention to two possible business connections: a loan made in the ordinary course of money-lending, or a debt due in respect of the assessee's other business. Calling an advance an 'accommodation' did not answer either branch. The Court therefore reframed the question and twice required supplementary statements because the Tribunal first omitted adequate analysis and then merely catalogued submissions instead of making factual findings (SCR pp.418-422; PDF pp.4-8). In the second supplementary statement, the Tribunal found that the sums were neither ordinary-course money-lending loans nor advances in respect of any other business. Although the Court criticised the abrupt reasoning, it held that those were supported findings of fact and therefore binding (SCR pp.422-423; PDF pp.8-9).

Source: [Primary judgment: discussion](#)

03 JUDICIAL DECISION

Bound by the Tribunal's supported factual finding covering the whole amount, the Court answered the reframed question in the negative and in favour of the Department. The appeal was dismissed with no order as to costs (SCR p.423; PDF p.9).

Source: [Primary judgment: decision](#)

04 OUTCOME / IN WHOSE FAVOUR

In favour of Revenue. The assessee did not obtain the bad-debt deduction because the final factual finding negated a nexus with both its money-lending business and its other business; there was no remand remaining after the final judgment (SCR pp.422-423; PDF pp.8-9).

Source: [Primary judgment: outcome](#)

05 AKHB REVIEW POINT

AKHB analysis: for a business bad-debt claim, document the exact commercial nexus at the time each advance arose. If the taxpayer conducts both money-lending and another business, test the transaction under each applicable statutory branch instead of relying on labels such as 'accommodation' or on later insolvency alone. In a reference proceeding, identify whether the challenge is a legal error or an attempt to reopen a supported factual finding.

Source: [Primary judgment: review-point basis](#)

SOURCE & VERIFICATION

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

Exact 9-page source asset read and visually inspected in full. It reports the first remand order, the second remand order and the final judgment together.

[Open cited source rendition](#)

Catalogue asset 1971_3_415_423: exact SHA-256

240b1f585adbe697bd5bbc3a1517d57dce150754f73fae92dc7990a770e7f014; 9 pages.

The source verifies the parties, docket, Madras High Court origin, composite order dates, final bench, statutory provisions and operative dismissal.

No exact source-hash, asset-ID, SCR-citation, civil-appeal-number or same-judgment party match was found in published cases, archived reviewed batches or source dispositions.

STATUTORY SCOPE

Historical sections 10(2)(xi) and 66 of the repealed 1922 Act. No automatic equivalence to present bad-debt or reference provisions is asserted.

LATER TREATMENT

Source checked 2026-10-11. Later judicial treatment and present statutory applicability were not 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 complete 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.