

Commissioner of Income-tax, Bombay v. Maharashtra Sugar Mills Ltd., Bombay

Civil Appeal No. 1658 of 1968

[1972] 1 SCR 230 | 1971-08-16

Managing-agency commission in an indivisible sugar-growing and manufacturing business under the 1922 Act.

Indian Income-tax Act, 1922: sections 2(1), 10(2)(xv) and 66(1) | Income-tax Rules: rule 23

2-judge bench | K. S. Hegde, J. | A. N. Grover, J.

Assessment years: 1957-58

Historical statutory scope

This decision applies the 1922 Act and rule 23 to the accepted finding of a single indivisible business. It does not resolve later statutory disallowance provisions for expenditure relating to exempt income, including section 14A of the 1961 Act.

01 FACTS OF THE CASE

The company grew sugar cane on its own land and used it to manufacture sugar. The Tribunal's unchallenged finding was that cultivation and manufacture formed a single indivisible business. The company claimed its managing agents' commission, approximately ten per cent of profits, for AY 1957-58. Revenue disallowed Rs.1,26,359 as attributable to the agricultural activity. The Tribunal and High Court allowed the whole commission; Revenue challenged that result.

Source: [SCR pp. 231-232](#) / [PDF pp. 2-3](#)

02 DISCUSSION BY THE HON'BLE COURT

The Court applied the words of section 10(2)(xv): the expenditure was incurred wholly and exclusively for the business, and the provision did not require it to produce taxable income directly or indirectly. On the accepted indivisible-business finding, the agricultural character of part of the income did not support apportionment of this commission. Rule 23 deducted the market value of agricultural produce used in the business and prevented a further deduction for expenditure incurred as cultivator. Read with section 2(1), that restriction concerned cultivation and associated activities up to sale of produce, and did not cover the managing-agency commission in issue.

Source: [SCR pp. 232-240](#) / [PDF pp. 3-11](#)

03 JUDICIAL DECISION

The Court agreed with the High Court that the disputed portion of managing-agency commission could not be disallowed on the grounds advanced. Revenue's appeal was dismissed with costs.

Source: [SCR pp. 233 and 240 / PDF pp. 4 and 11](#)

04 OUTCOME / IN WHOSE FAVOUR

The assessee prevailed on deductibility of its managing-agency commission. The Court treated the Tribunal's single-business finding as fixed and did not exempt the manufacturing profits or permit duplicate deduction of cultivation costs under rule 23.

Source: [SCR pp. 232-233 and 238-240 / PDF pp. 3-4 and 9-11](#)

05 AKHB REVIEW POINT

AKHB analysis: establish whether the activities form one business, identify the contractual purpose of shared management costs, and distinguish them from direct cultivation costs already reflected in agricultural-income computation. The historical holding is useful for understanding the business-purpose test, but a current claim requires separate examination of section 14A, the applicable computation rules and subsequent treatment; no present-law exemption from expense allocation is certified here.

Source: [AKHB analysis based on SCR pp. 232-233 and 238-240 / PDF pp. 3-4 and 9-11](#)

SOURCE & VERIFICATION

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STATUTORY SCOPE

This decision applies the 1922 Act and rule 23 to the accepted finding of a single indivisible business. It does not resolve later statutory disallowance provisions for expenditure relating to exempt income, including section 14A of the 1961 Act.

LATER TREATMENT

Source checked 2026-10-10. Comprehensive subsequent treatment has not been verified; no current citator clearance is represented.

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