

Aluminium Corporation of India Ltd. v. Commissioner of Income-Tax, West Bengal

Civil Appeal No. 394 of 1969 — Supreme Court appeal or expressly printed appeal group decided in this judgment and connected proceedings (full list below)

[1973] 1 SCR 1097 | 1972-08-29

The agency commission was wholly and exclusively for business on the Tribunal's supported findings; direct sales by the principal did not negate the agents' contractual commercial functions or permit factual reappraisal on the reference.

1922 Act: 10(2)(xv) | 1922 Act: 66(2) | 1922 Act: 66A(2)

3 Judges | K. S. Hegde | P. Jaganmohan Reddy | H. R. Khanna

01 FACTS OF THE CASE

The ₹1,56,806 selling-agency commission remained deductible although the company itself effected all sales during the relevant year. Aluminium Corporation appointed J. K. Alloys under a five-year agreement running from 1 April 1950 to 31 March 1955. Clause 6 entitled the agents to commission on direct sales as well as sales through them. For assessment year 1955-56, the Income-tax Officer disallowed the payment; the Appellate Assistant Commissioner also considered the agreement unperformed. The Tribunal rejected both conclusions, relying on the agreement and its earlier operation. On a section 66(2) reference under the Indian Income-tax Act, 1922, Calcutta High Court nevertheless answered against the company.

Source: [SCR1098F-1101G: referred amount, year, agreement and procedural findings.](#)

02 DISCUSSION BY THE HON'BLE COURT

Hegde J examined the commercial obligations overlooked below. Clause 8 made the agents responsible for payment after dispatch, within a fortnight on presentation of documents, with six-per-cent interest on default. Clause 9 imposed responsibility for fulfilment of their contracts and customer breaches, subject to the principal's own performance. Earlier commission deductions supported the agreement's bona fide operation; neither assessing authority had rejected the company's plea that the agents canvassed the direct sales. The Court preserved the qualification that an agreement and actual payment alone do not prove business purpose. Commercial expediency must be assessed from the businessman's viewpoint, while unreal or collateral payments may still be disallowed. Swadeshi Cotton Mills was distinguished because its Tribunal had found commission paid for extra-commercial reasons. Here the Tribunal gave sound reasons for the opposite factual conclusion. Under section 66 the High Court gave advisory answers, not an unrestricted appeal on facts; a challenge based on no evidence, perversity or inadmissible material required an appropriate referred question.

Source: [SCR1099A-C: properly framed reference; 1100B-D agency obligations; 1101-1104D commercial reasoning and distinction.](#)

03 JUDICIAL DECISION

The Court held that the supported facts and factual inference established expenditure wholly and exclusively for business under section 10(2)(xv). The High Court had improperly displaced them and overlooked the full agreement. Its negative answer was set aside and the reference answered affirmatively for the assessee.

Source: [SCR1102D,1103E-F,1104E: deduction and affirmative answer.](#)

04 OUTCOME / IN WHOSE FAVOUR

Assessee's appeal allowed. Revenue was directed to pay the company's costs in both the High Court and Supreme Court. The ₹1,56,806 commission deduction for 1955-56 stood on the supported contractual and commercial findings.

Source: [SCR1104E: appeal allowed, costs both courts to assessee.](#)

05 AKHB REVIEW POINT

Examine the whole commercial package, including collection risk, rather than who signed sales. Compared 1961 section 37(1) and 2025 section 34 retain business-purpose requirements and exclusions. Prior allowance is evidence, not a perpetual deduction. Patnaik cites this case on framed factual challenges (SCR 210E-H), without revisiting commission merits. Modern substantial-question appeal provisions and other deduction restrictions remain separate; comprehensive later history is unverified.

Source: [SCR1101D-1103F: contractual package, commercial expediency and bounded scrutiny.](#)

APPEAL AND PROCEEDING NUMBERS

Civil Appeal No. 394 of 1969 — Supreme Court appeal or expressly printed appeal group decided in this judgment / Income-tax Reference No. 57 of 1964 — Originating High Court appeal/reference docket; not an additional Supreme Court appeal

SOURCE & VERIFICATION

Original reported Supreme Court judgment

8-page retained public-mirror SCR report. The complete report was read as text and page images. The acquisition URL is preserved provenance; current endpoint availability and authentication as a signed original are not newly verified. All physical pages 1-8/SCR1097-1104: caption/dockets, complete Hegde J text, all reproduced agency clauses, Tribunal analysis, deduction/reference rules, distinguished Swadeshi facts and final answer/costs. Every page text and image personally inspected.

Open cited source rendition

Clause 6 printed rate table at 1099 includes fractional percentages poorly rendered by OCR; images inspected and no unnecessary retyped rate table adopted.

Clause 14 at 1100 prints less than three months notice; retained as source wording and not silently changed to not less than.

The canvassing assertion at 1102 is described as a plea not rejected below; note does not turn it into an independently documented sales log.

Complete report ends with present appeal; no adjacent judgment boundary.

Modern statutory evidence is limited to the exact versions and scopes in sources; retained capture hashes are not original website/PDF hashes unless expressly labelled. No present-tax-year or full savings determination.

STATUTORY SCOPE

Indian Income-tax Act, 1922; 10(2)(xv), 66(2), 66A(2)

Whole 37, displayed 2025, read: wholly/exclusively general deduction with specified-expenditure, capital/personal and statutory exclusions. Historical section 256 and 260A(2024 No. 2) read for distinct reference/appeal context, not as adjudicated provisions.

Whole 34(1)–(3), displayed 2026, read: general deduction retains business-purpose requirement and enumerated exclusions. Whole 365 read for the separate substantial-question appeal structure. Neither guarantees deduction of a modern payment.

Legacy 1922 Act holding; comparison versions and personally read scopes are explicit. No automatic precedent carryover or exhaustive present-law/repeal/savings determination.

Other provisions addressed: Agency agreement dated 30 December 1949, clauses 1, 2, 6, 8, 9, 14, 15

LATER TREATMENT

Source checked 2026-10-07. Patnaik & Co. (16 July 1986), [1986] 3 SCR 207 at 210E–H, cites Aluminium Corporation, 86 ITR 11, among authorities requiring a specifically framed challenge before disturbing Tribunal facts. This is procedural support, not later adjudication of Aluminium's commission merits.

Comprehensive subsequent history and present-law applicability are not certified.

One specific later Supreme Court use personally verified through full retained original text and all images; comprehensive subsequent history remains unverified.

IDENTIFIED SOURCE LINKS

[Income-tax Act, 1961: section 37](#)

Official HTML displayed 2025 Whole 37(1), Explanations 1–3, (2B), omissions and annotation, HTML 38–95. New personal bounded read of exact retained coordinator official web captures. No inherited prior author read or fresh acquisition/raw HTML/PDF/image claim; no complete present-law/savings certification.

[Income-tax Act, 2025: section 34](#)

Official HTML displayed 2026 Whole 34(1)–(3), HTML 38–73. New personal bounded read of exact retained coordinator official web captures. No inherited prior author read or fresh acquisition/raw HTML/PDF/image claim; no complete present-law/savings certification.

[Income-tax Act, 1961: selected provision](#)

Official departmental rendition displayed 2025 Identity/version lines 38–58; full section 256(1)–(3), including (2A), lines 63–71. Fresh personal bounded read of exact retained official tool-text capture. No inherited actor read, original HTML/PDF-byte or image claim; no full present-law, tax-year or repeal/savings determination.

[Income-tax Act, 1961: selected provision](#)

Official departmental rendition displayed 2024 (No. 2) Identity/version lines 38–58; full section 260A(1)–(7), including (2A) and (4) proviso, lines 63–88. Fresh personal bounded read of exact retained official tool-text capture. No inherited actor read, original HTML/PDF-byte or image claim; no full present-law, tax-year or repeal/savings determination.

[Income-tax Act, 2025: selected provision](#)

Official departmental rendition displayed 2026 Identity/version lines 38–58; full section 365(1)–(10), lines 61–83. Fresh personal bounded read of exact retained official tool-text capture. No inherited actor read, original HTML/PDF-byte or image claim; no full present-law, tax-year or repeal/savings determination.

[Patnaik & Co.Ltd.v.The Commissioner of Income Tax, Orissa — \[1986\]3SCR207](#)

All 7 physical pages/SCR 207–213, caption/headnote, complete Pathak Judgment, reference-question context, actual Jain distinction, Aluminium citation, merits and outcome. Fresh complete personal read of retained original PDF text and every page image, before/after PDF and derivative hashes verified. No exhaustive subsequent-history certification. Frozen source-index acquisition URL; present endpoint availability not rechecked. Text pages read: 1–7. Image pages read: 1–7.

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