

M/s. E. D. Sasoon & Co. Ltd. Bombay v. The C.I.T. Bombay City and vice versa

Civil Appeal No. 26 (NT) of 1969; Civil Appeal No. 162 (NT) of 1969 — Supreme Court appeal or expressly printed appeal group decided in this judgment and connected proceedings (full list below)

[1973] 1 SCR 1084 | 1972-08-29

The successor company qualified for section 25(3) discontinuance relief: the business had been taxed under the 1918 Act and continued after transfer; omission of a valuation item or discontinuance of an activity did not establish loss of business identity.

1922 Act: 25(3) | 1922 Act: 25(4) | 1922 Act: 66(1)

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

01 FACTS OF THE CASE

The company's claim to section 25(3) relief survived the Revenue's objection that it had not continued the predecessor firm's share-dealing business. The firm carried on banking, agency, securities and foreign-exchange activities. The company took over its business around the end of 1920 and later claimed exemption on ₹33,40,057 when business ceased on liquidation in December 1948, relevant to assessment year 1949-50. The tax authorities refused relief; the Tribunal accepted taxation of the predecessor under the 1918 Act but considered the securities acquired as investments rather than a continuing trade. Bombay High Court answered four of five questions for the company and the Shanghai-property-loss question against it, producing cross-appeals.

Source: [SCR1086-1089: business transfer, claim, five questions and cross-appeals.](#)

02 DISCUSSION BY THE HON'BLE COURT

Section 25(3) of the Indian Income-tax Act, 1922 relieved the duplication caused by changing from current-year taxation under the 1918 Act to previous-year taxation. It required a business taxed under the 1918 Act, no post-1 April 1939 succession attracting subsection (4), and complete discontinuance rather than mere change of owner. The relevant continuity was that of the business, so the claimant need not itself have borne the earlier tax. The record, including transferred holdings and ₹4,28,05,627 of market purchases in 1921, supported continuation of share dealing. Omission of appreciation from one assessment did not prove absence of that trade. Independently, other acquired activities continued, and cessation of one or two activities did not establish cessation of the transferred business. Following Chugandas, the Court distinguished business income from its assessment head: relief was not confined to section 10 income, though non-business income remained outside it.

Source: [SCR1089D-1090F: historical relief/conditions;1091-1094: continuity evidence;1094G-1095G: business/head distinction.](#)

03 JUDICIAL DECISION

The Court confirmed entitlement under section 25(3). The Revenue treated that question as controlling and advanced no separate arguments on questions 3–5, involving superannuation, a post-liquidation transfer and loss set-off. The company did not press its appeal on the Shanghai-property loss.

Source: [SCR1089C-D: no separate arguments;1095H-1096A: relief and company appeal not pressed.](#)

04 OUTCOME / IN WHOSE FAVOUR

Both cross-appeals dismissed with costs; the High Court's answers stood. The abandonment of the company's appeal is not a reasoned Supreme Court merits holding on that loss. Section 25(3) relief survived; the unpressed Shanghai-loss challenge supplied no separate merits ruling.

Source: [SCR1096A-B: both appeals dismissed with costs.](#)

05 AKHB REVIEW POINT

This historical relief addresses the 1918/1922 tax-basis transition; no equivalent 1961 or 2025 exemption is asserted. Identify the undertaking, the transfer and the actual statutory transition. Business-income character is distinct from its assessment head, but this supplies no modern closing-business exemption. The report's agreement-year, purchase-period, liquidation-date and appreciation variants remain disclosed. Comprehensive later treatment is unverified.

Source: [SCR1087.1090-1095: factual variants and limited statutory reasoning.](#)

APPEAL AND PROCEEDING NUMBERS

Civil Appeal No. 26 (NT) of 1969; Civil Appeal No. 162 (NT) of 1969 — Supreme Court appeal or expressly printed appeal group decided in this judgment / Income-tax Reference No. 98 of 1962 — Originating High Court appeal/reference docket; not an additional Supreme Court appeal

SOURCE & VERIFICATION

Original reported Supreme Court judgment

13-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 pages1–13/SCR1084–1096: caption and cross-appeals, all five questions, full historical assessments and section25(3) quotation/reasoning, Chugandas passage, assessee abandonment and both-appeal costs. Every page text and image personally read.

Open cited source rendition

Caption Sasoon and narrative Sassoon differ; identity preserves caption, with narrative alias recorded.

SCR 1087 prints agreement30 June 1961; SCR 1091 expressly prints30 June 1921.

SCR 1084/1087 market-purchase period ends31 January 1921; SCR 1085/1093 gives31 December 1921.

Liquidation/discontinuance is28 December 1948 at SCR1090; quoted AAC text at 1093 says29 December 1948.

Appreciation figures vary:₹9,26,713 and ₹9,26,730-5-8 and quoted ₹9,27,708-67 at 1087; ₹9,26,708 at 1088; ₹9,76,708 at 1091/1094. No silent harmonisation.

Questions3–5 list ₹3,70,943, ₹2,92,672 and ₹3,28,825; they were not separately argued in Supreme Court.

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; 25(3), 25(4), 66(1)

No 1961 provision is adopted as an equivalent to the specific 1918-to-1922 discontinuance relief; this note makes no claim of a continuing modern exemption.

No 2025 provision is adopted as an equivalent. The judgment's historical relief and general business-continuity reasoning remain distinct.

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: Indian Income-tax Act, 1918: predecessor business taxation

LATER TREATMENT

Source checked 2026-10-07. No specific later judgment is adopted in this note; no absence of later treatment is asserted.

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

Comprehensive subsequent history remains unverified; no later-use claim adopted.

AI DISCLOSURE

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