

Commissioner of Income-Tax Poona v. M/s. Manna Ramji & Co.

Civil Appeal No. 156 of 1969 — Supreme Court appeal or expressly printed appeal group decided in this judgment and connected proceedings (full list below)

[1973] 1 SCR 1068 | 1972-08-29

Compensation replacing lost earnings was revenue where the timber business continued at a reduced scale and its profit-making apparatus was not destroyed; the lump-sum valuation method did not change its character.

1922 Act: 10 | 1922 Act: 66(1)

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

01 FACTS OF THE CASE

The compensation was taxable revenue because it replaced earnings of a business which continued despite requisition of its storage sheds. For assessment year 1951-52 under the Indian Income-tax Act, 1922, Manna Ramji's timber business received compensation after six Poona sheds were requisitioned in 1944 for food-grain storage. Its office was released and the business continued there. The arbitrator separately awarded rent, ₹1,25,500 for lost earnings, ₹100 for wooden frames, interest and ₹2,000 costs. The disputed ₹1,05,074 was the earnings award less ₹20,426 claim expenses. The Appellate Assistant Commissioner treated it as capital; the Tribunal restored revenue treatment and permitted brought-forward losses of ₹4,572 and ₹490. Bombay High Court answered the reference for the firm.

Source: [SCR1069D-1071C: requisition, award components, expense deduction, set-offs and procedural stages.](#)

02 DISCUSSION BY THE HON'BLE COURT

Khanna J treated the payment's true nature as a fact-sensitive question. The firm claimed, and the arbitrator awarded, compensation for lost earnings. The Tribunal found that the business operated in its usual name from the same office on a smaller scale: requisition affected its volume, not its profit-making apparatus. The receipt therefore took the revenue character of the profits it replaced. Requisition was temporary, unlike permanent deprivation of an income source. Shamsheer Printing Press supported the result. Senairam Doongarmall was distinguished because its tea-manufacturing business had stopped completely; Glenboig concerned sterilisation of a capital asset. The award's use of two years' purchase to measure compensation did not convert replacement earnings into capital: character depended on what was compensated, not the arithmetic used. Other authorities involving destroyed income sources likewise did not govern these facts.

Source: [SCR1071F-1075F: character, continued business, measure and distinctions.](#)

03 JUDICIAL DECISION

The Court set aside the High Court's judgment and answered the reference for the department. It declined the respondent's attempt to rework the Tribunal's factual findings: the question as referred proceeded on the facts stated by that final fact-finding body.

Source: [SCR1075G-1076B: reference fact limits and answer for department.](#)

04 OUTCOME / IN WHOSE FAVOUR

Revenue's appeal allowed. The ₹1,05,074 receipt was taxable income, with each party bearing its own costs in both courts. The judgment did not reverse the Tribunal's separately recorded brought-forward loss allowances. The reference amount was taxable business income; the Tribunal's separately recorded brought-forward loss allowances were not reversed.

Source: [SCR1076B:₹1,05,074 taxable; own costs both courts.](#)

05 AKHB REVIEW POINT

Separate compensation components and establish whether the undertaking continued or its income source was destroyed. A lump sum or profit-based measure is not decisive. Compared 1961 section 28 and 2025 section 26 contain both the business-income charge and specific compensation branches, requiring separate analysis. The report's isolated ₹1,50,074 conflicts with its subtraction and operative ₹1,05,074; that anomaly is retained. No comprehensive later-treatment claim is made.

Source: [SCR1070E-H arithmetic;1072C-G apparatus;1073C-F character versus measure.](#)

APPEAL AND PROCEEDING NUMBERS

Civil Appeal No. 156 of 1969 — Supreme Court appeal or expressly printed appeal group decided in this judgment / Income-tax Reference No. 35 of 1962 — Originating High Court appeal/reference docket; not an additional Supreme Court appeal

SOURCE & VERIFICATION

Original reported Supreme Court judgment

9-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 1-9/SCR1068-1076: caption, dockets, entire Khanna J judgment, award components, assessments/set-offs, all distinguished cases and final disposition. Every page text and image personally inspected.

Open cited source rendition

Headnote prints Indian Income Tax 1911; judicial opening 1069 expressly identifies 1922 Act, which controls.

SCR 1070E prints ₹1,50,074 once; same paragraph computes ₹1,25,500–₹20,426=₹1,05,074, repeated in reference and final order.

Requisition date 19 May 1944 at 1069 contrasts with award rent commencement 15 May 1944 at 1070; they are distinct printed dates and not silently harmonised.

SCR 1073 recounts Shamsheer compensation as ₹57,435 then ₹57,434; not used to change this case's award.

The ₹22,180 rent and ₹20,551 interest were separately assessed; reference concerns ₹1,05,074 earnings component only.

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, 66(1)

Whole 28, displayed 2025, read. Clause (i) provides the business-income charge; clause (ii) contains specified compensation/termination branches. The 1972 replacement-profits principle does not eliminate those additional statutory inquiries.

Whole 26–27, in 2025 Act as amended FA 2026, read. Section 26(2)(a) provides the business-income charge; 26(2)(b)–(c) contain specified compensation branches. No assumption that every requisition receipt meets them.

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: Defence of India Act: requisition and compensation arbitration

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.

IDENTIFIED SOURCE LINKS

[Income-tax Act, 1961: section 28](#)

Official HTML displayed 2025 Complete section 28 clauses(i)–(vii), provisos, explanations, annotations; HTML 38–136. 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: sections 26–27](#)

Official 2025 Act as amended by Finance Act 2026 Title and 1(1)–(3), web0–13, physical1; complete 26(1)–(4) and 27, web2191–2255, physical55–57, including cross-page lines2193 and 2232. 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.

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