

Commissioner of Income Tax v. S. N. A. S. A. Annamalai Chettiar

Civil Appeal No. 2016 of 1969 — Supreme Court appeal or expressly printed appeal group decided in this judgment and connected proceedings (full list below)

[1973] 2 SCR 460 | 1972-09-27

Enemy bombing of stock-in-trade while business continued in the war zone produced an incidental trading loss deductible in computing profits under 1922 section 10(1).

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

4 Judges | K. S. Hegde | P. Jaganmohan Reddy | I. D. Dua | H. R. Khanna

01 FACTS OF THE CASE

The assessee's family carried on moneylending in India and abroad and took properties in settlement of debts. On its partition in March 1939, he received shares, properties, gardens and other assets in Malaya and continued the moneylending business there. Japanese bombing in December 1941 caused the disputed loss of Rs. 1,93,750, claimed for assessment year 1942-43. The ITO, AAC and Tribunal rejected deduction. Crucially, the Tribunal accepted that the damaged property was stock-in-trade; its sole objection was that bombing was not incidental to the business. That stock finding was unchallenged before the Supreme Court.

Source: [SCR 460G-461D](#)

02 DISCUSSION BY THE HON'BLE COURT

Hegde J assessed the loss in the actual circumstances in which the business operated. Malaya was a war zone, and bombing was a risk of carrying on business there. The Revenue would have assessed profits made during the war; it could not deny the business character of this stock loss merely because enemy action caused it. The Court approved Pohoomal Bros., previously cited in Nainital Bank. It also considered decisions treating insurance proceeds or war-damage compensation replacing stock as trading receipts. Those authorities reinforced the converse conclusion that an unrecouped stock loss could be a trading loss. The reasoning depended on the conceded stock character and the continuing business, rather than on ownership of damaged property alone.

Source: [SCR 461E-463C](#)

03 JUDICIAL DECISION

On these facts, the loss was incidental to the assessee's business and allowable in computing net income under section 10(1) of the Indian Income-tax Act, 1922. The Court agreed with the Madras High Court's conclusion. It did not reopen the Tribunal's unchallenged finding that the assets were stock-in-trade or decide treatment of capital assets destroyed by war.

Source: [SCR 461F-G and 463C-D](#)

04 OUTCOME / IN WHOSE FAVOUR

The Commissioner's appeal was dismissed with costs. The High Court's allowance of the Rs. 1,93,750 business loss stood.

Source: [SCR 463D](#)

05 AKHB REVIEW POINT

First establish whether the damaged asset belongs to trading stock and whether the loss is connected with the business actually conducted. Then examine the loss amount, recovery or compensation and the applicable computation rules. This decision helps evaluate an extraordinary business risk; it does not make every casualty loss deductible or dispense with proof. Preserve the unchallenged factual premise when citing it. The modern business-income comparison is section 28 to 2025 sections 26-27; it does not itself prove a particular loss deduction.

Source: [SCR 461C-G and 462F-463D](#); editorial [factual and recovery limits](#); [Whole section 28, clauses \(i\)-\(vii\), provisos, explanations and annotations](#); [HTML 38-136](#); [Title/1\(1\)-\(3\), web 0-13, physical 1](#); [whole 26\(1\)-\(4\) and 27, web 2191-2255, physical 55-57](#).

APPEAL AND PROCEEDING NUMBERS

Civil Appeal No. 2016 of 1969 — Supreme Court appeal or expressly printed appeal group decided in this judgment / Tax Case No. 75 of 1963 — Originating High Court appeal/reference docket; not an additional Supreme Court appeal

SOURCE & VERIFICATION

Original reported Supreme Court judgment

4-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.

Open cited source rendition

OCR misreads several names and "insurance premiums"; the note follows the visible images and judicial reasoning. No material identity or disposition ambiguity was found.

STATUTORY SCOPE

Indian Income-tax Act, 1922; 10(1), 66(1)

Section 28(i), official displayed 2025, is the general charge for business profits. That is the limited comparison for this section 10(1) trading-loss judgment; no current stock-valuation, recovery or specific-loss provision is determined.

Sections 26(2)(a) and 27 state the business-income charge and route to computation provisions. Both sections were fully read in the Finance Act 2026 compilation. This does not independently establish deductibility of a modern casualty loss.

Legacy 1922 holding. Exact compared versions and bounded read scopes are recorded in sources; no automatic present-law carryover or exhaustive tax-year/repeal/savings determination.

LATER TREATMENT

Source checked 2026-10-07. No specific later judicial use has been adopted for this note in this bounded review. This is a verification limit, not an assertion that none exists.

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

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

Official HTML displayed 2025; not verified as a complete 2026 consolidation Whole section 28, clauses (i)–(vii), provisos, explanations and annotations; HTML 38–136. New personal bounded read of retained coordinator official web text. No fresh author acquisition, original PDF/HTML hash, page-image inspection or complete current-applicability/savings certification.

[Income-tax Act, 2025: sections 26–27](#)

Official 2025 Act as amended by Finance Act 2026; section 34 HTML displays 2026 Title/1(1)–(3), web 0–13, physical 1; whole 26(1)–(4) and 27, web 2191–2255, physical 55–57. New personal bounded read of retained coordinator official web text. No fresh author acquisition, original PDF/HTML hash, page-image inspection or complete current-applicability/savings certification.

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