

Rameshwar Prasad Bagla v. Commissioner of Income-tax, U.P., Lucknow

Civil Appeal No. 1718 of 1969 — Supreme Court appeal or expressly printed appeal group decided in this judgment and connected proceedings (full list below)

[1973] 2 SCR 452 | 1972-09-27

The Tribunal's supported finding that shares were acquired for managing-agency control could not be reweighed in reference jurisdiction; the sale surplus was capital gain, not trading profit.

1922 Act: 10 | 1922 Act: 12B | 1922 Act: 66(2)

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

01 FACTS OF THE CASE

Bagla held a one-sixteenth interest in Agarwal & Co., which acquired the managing agency and a substantial block of shares in India United Mills. His own entitlement and his brother's relinquished entitlement gave him 62,500 shares at the original acquisition price. He financed the purchase by borrowing and sold 43,700 shares in seven lots during 1946. For assessment year 1947-48, the ITO treated the surplus as trading profit under section 10 of the Indian Income-tax Act, 1922. After remand, the Tribunal found that the shares were acquired to secure the managing agency and control, not as stock-in-trade. The Allahabad High Court reversed that characterization on reference.

Source: [SCR 453G-456F](#)

02 DISCUSSION BY THE HON'BLE COURT

Khanna J held that the High Court had wrongly approached the reference as an opportunity to find facts afresh. Under section 66 the Tribunal determined facts, while the High Court and Supreme Court in the reference appeal exercised advisory jurisdiction. A finding unsupported by relevant evidence, influenced by irrelevant material or conjecture, or so unreasonable that a properly instructed tribunal could not reach it, could raise a question of law. None of those defects existed here. The original block acquisition, allocation within Agarwal & Co. and transfer at the original price supported the Tribunal. Applying Ramnarain Sons, borrowing to purchase shares and later selling part of the holding did not, by themselves, turn a capital acquisition into trading stock.

Source: [SCR 456G-459B](#)

03 JUDICIAL DECISION

The Court substituted an answer that there was material supporting the Tribunal's finding and that the shares were not stock-in-trade. It also answered the second question by holding the sale profit chargeable as capital gain under section 12B. That was the parties' common position if stock-in-trade treatment failed and had been requested in the assessee's own 30 March 1949 letter. The decision did not exempt the surplus from income tax.

Source: [SCR 459B-E](#)

04 OUTCOME / IN WHOSE FAVOUR

The assessee's appeal was allowed; the High Court's answers were discharged and replaced. The assessee received costs in the Supreme Court and High Court. The surplus was characterized as taxable capital gain rather than business profit.

Source: [SCR 459E](#)

05 AKHB REVIEW POINT

Separate the acquisition's evidenced purpose from financing and later disposal. For a challenge to Tribunal findings, identify a specific legal defect rather than a competing view of the evidence. State the actual relief accurately: Bagla won the character issue, but the Court affirmatively imposed capital-gains treatment. Modern review jurisdiction and computation require their own statutory analysis. The bounded charge/computation comparison is 1961 sections 45(1)/48 to 2025 sections 67(1)/72.

Source: [SCR 455D-H and 457A-459E](#); editorial characterization and review limits; [Identity/version and section 45\(1\) only](#), HTML 38-67. [No complete section 45 read claimed.](#); [Whole displayed section 48, provisos/explanations and annotations](#), HTML 38-102. [CII annotation ends at 2024-25; not a current-year CII determination.](#); [Section 67\(1\) only, web 4985-4988, physical 122. No complete section 67 read claimed.](#); [Whole section 72\(1\)-\(8\), web 5586-5650, physical 137-138.](#)

APPEAL AND PROCEEDING NUMBERS

Civil Appeal No. 1718 of 1969 — Supreme Court appeal or expressly printed appeal group decided in this judgment / Misc. Case No. 561 of 1963 — 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.

Open cited source rendition

SCR 455 states sale profit of Rs. 1,80,220 but quotes the assessee's letter describing appreciation of Rs. 1,51,927/1/11; the note does not collapse these figures or assert a final quantified capital gain.

The headnote at SCR 452 once prints section 62(2); the judicial body consistently identifies section 66(2).

STATUTORY SCOPE

Indian Income-tax Act, 1922; 10, 12B, 66(2)

Official displayed 2025 section 45(1) charges capital-asset transfer gains subject to stated exceptions; section 48 supplies consideration-minus-expenses/cost computation with its provisos. Only 45(1), not all of section 45, was read; modern valuation deeming rules are not exhaustively checked.

Section 67(1) and complete section 72 in the Finance Act 2026 compilation provide bounded charge/computation comparisons to 45(1)/48. Their exceptions, indexation and special computation rules must be applied independently; the 1922 result is not automatically carried forward.

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 45\(1\)](#)

Official HTML displayed 2025; not verified as a complete 2026 consolidation Identity/version and section 45(1) only, HTML 38-67. No complete section 45 read claimed. 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, 1961: section 48](#)

Official HTML displayed 2025; not verified as a complete 2026 consolidation Whole displayed section 48, provisos/explanations and annotations, HTML 38-102. CII annotation ends at 2024-25; not a current-year CII determination. 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: section 67\(1\)](#)

Official 2025 Act as amended by Finance Act 2026; section 34 HTML displays 2026 Section 67(1) only, web 4985-4988, physical 122. No complete section 67 read claimed. 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: section 72](#)

Official 2025 Act as amended by Finance Act 2026; section 34 HTML displays 2026 Whole section 72(1)-(8), web 5586-5650, physical 137-138. 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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