

M/s. Chowringhee Sales Bureau (P) Ltd. v. C.I.T., West Bengal

Civil Appeal No. 168 (NT) of 1969 — Supreme Court appeal or expressly printed appeal group decided in this judgment and connected proceedings (full list below)

[1973] 2 SCR 618 | 1972-10-10

Sales tax collected by the auctioneer was part of its trading receipts; placing it in a separate sales-tax collection account did not change its character.

1922 Act: 66(1)

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

01 FACTS OF THE CASE

The furniture dealer and auctioneer collected Rs. 32,986 as sales tax during the previous year ending 31 March 1960, relevant to assessment year 1960-61. It credited the amount to a separate sales-tax collection account and neither remitted it to the State nor refunded it to buyers. The ITO included the sum in business income. The AAC and Tribunal excluded it, relying on a Calcutta single-judge decision questioning the auctioneer's sales-tax liability. On a reference under section 66(1) of the Indian Income-tax Act, 1922, the High Court answered against the company.

Source: [SCR 619G-621B](#)

02 DISCUSSION BY THE HON'BLE COURT

Khanna J separated the validity of the levy from the income-tax character of the receipt. An auction sale was a sale under sections 4 and 64 of the Sale of Goods Act. Entry 48 did not confine liability to the owner or purchaser: the auctioneer's close and direct connection with the transaction permitted its inclusion as a dealer. The Court rejected the contrary Calcutta reasoning. On the tax facts, the company appeared as seller in the cash memos and received the collections in its business capacity. Following Punjab Distilling Industries, the Court emphasized the receipt's true nature and quality. A separate ledger or the taxpayer's decision not to credit profit and loss could not prevent a trading receipt from being assessed.

Source: [SCR 621E-624E](#)

03 JUDICIAL DECISION

The Rs. 32,986 formed part of business receipts. The Court stated that deduction could be claimed as and when the amount was paid to the State Government. It therefore agreed with the High Court's negative answer to whether the amount had validly been excluded. This was a receipts decision in a 1922 Act reference, not an adjudication of later statutory payment-based deduction rules.

Source: [SCR 623G-624F](#)

04 OUTCOME / IN WHOSE FAVOUR

The assessee's appeal was dismissed with costs. The assessment-year collection remained included in business income; the judgment separately recognized deduction upon payment to the State.

Source: [SCR 624F](#)

05 AKHB REVIEW POINT

Identify who bears the statutory liability and why the business received the money before relying on its ledger caption. Keep inclusion, accrued liability and deduction timing analytically separate. A present-day dispute needs the applicable business-income and deduction provisions and the actual indirect-tax regime. Do not reproduce the headnote's erroneous treatment of J. K. Jute Mills as an overruling. Compare section 28 with 2025 section 26 for receipt character, and section 43B with 2025 section 37 separately for deduction timing.

Source: [SCR 619 headnote contrasted with SCR 620E-F and 623A-624F; editorial application 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.; Whole section 43B, clauses/proviso, all Explanations 1-5 and amendment footnotes; HTML 38-107.; Whole section 37\(1\)-\(8\), web 2888-2932, physical 73-74. Title/version separately read.; Official web text: caption/paragraphs 1-2 \(physical 1-2, web 0-24\), paragraph 8 \(physical 8-9, web 189-200\), complete paragraphs 10-14 and signatures/date \(physical 11-16, web 268-418\).](#)

APPEAL AND PROCEEDING NUMBERS

Civil Appeal No. 168 (NT) of 1969 — Supreme Court appeal or expressly printed appeal group decided in this judgment / Income-tax Reference No. 77 of 1966 — Originating High Court appeal/reference docket; not an additional Supreme Court appeal

SOURCE & VERIFICATION

Original reported Supreme Court judgment

7-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 619 headnote incorrectly names J. K. Jute Mills with the appellant's 12 STC 535 citation as overruled. The judicial body at SCR 620-623 identifies the criticized decision as the appellant's Calcutta case, and cites J. K. Jute Mills, 12 STC 429, in support.

Printed jurisdiction line says "Civil Appeal Nos. 168 (NT) of 1969" although only one appeal number is supplied.

STATUTORY SCOPE

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

Section 28(i), displayed 2025, supplies the general business-income charge. Section 43B separately conditions otherwise allowable listed deductions on payment, with its return-deadline proviso and exceptions. The judgment's when-paid observation is not a complete statement of that later deduction scheme.

Section 26(2)(a) supplies the business-income charge and section 37 the separate actual-payment rule. Sections 26/27 and 37 were fully read. Initial receipt character remains distinct from deduction timing; no new sales-tax/GST liability or automatic outcome is inferred.

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. Peerless General Finance (9 July 2019), paragraph 10, reproduces Sahara's reliance on Chowringhee for receipt character over bookkeeping labels. Peerless itself holds un-forfeited subscription deposits capital on its facts (paragraphs 8, 13-14); it does not change Chowringhee's sales-tax receipt result. The 2015 Sahara affirmance is reported there, not independently verified here.

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.

[Income-tax Act, 1961: section 43B](#)

Official HTML displayed 2025; not verified as a complete 2026 consolidation Whole section 43B, clauses/proviso, all Explanations 1-5 and amendment footnotes; HTML 38-107. 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 37](#)

Official 2025 Act as amended by Finance Act 2026; section 34 HTML displays 2026 Whole section 37(1)-(8), web 2888-2932, physical 73-74. Title/version separately read. 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.

[The Peerless General Finance and Investment Company Ltd. v. Commissioner of Income Tax \(2019-07-09\)](#)

Official web text: caption/paragraphs 1-2 (physical 1-2, web 0-24), paragraph 8 (physical 8-9, web 189-200), complete paragraphs 10-14 and signatures/date (physical 11-16, web 268-418). Bounded retained official web-text read only. No complete original-PDF or image read. Paragraph 10 quotes Sahara's Chowringhee citation; the reported 2015 affirmance is not an independently read order.

AI DISCLOSURE

AI-assisted research. The AKHB Review Point is editorial analysis, not part of the Court's judgment.

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