

SINCLAIRE MURRAY & CO. (P) LTD. v. COMMISSIONER OF INCOME TAX, CALCUTTA

Present Supreme Court proceedings: Civil Appeal No. 1357 of 1970; Originating High Court proceedings: I. T. Ref. No. 164 of 1963

[1975] 2 SCR 629 | 1974-11-06

Sales tax collected in the course of trading and retained as the dealer's own funds formed a trading receipt, despite its separate billing label and a possible duty to remit or refund it. Deduction on subsequent payment or refund was expressly preserved.

2-judge bench | H. R. Khanna, J. | A. C. Gupta, J.

01 FACTS OF THE CASE

The company traded in jute in Orissa and charged its purchaser sales tax separately at one anna per rupee, describing it as payable to the Orissa Government. It withheld the collections on the footing that the sales were inter-State. For 1953-54, the assessing officer added the balance-sheet sales-tax liability; the appellate authority reduced the addition to Rs. 7,14,398, representing that year's collections less tax actually paid.

The Tribunal excluded the amount, reasoning that collections under the Orissa Sales Tax Act gave the dealer no beneficial interest. The Calcutta High Court instead held that the money, mixed with and used as the company's own funds, was a trading receipt.

Source: [SCR 630C-631E](#)

02 DISCUSSION BY THE HON'BLE COURT

The Supreme Court applied Chowringhee Sales Bureau: a receipt's true nature and quality determine its tax character, rather than the account heading chosen by the taxpayer. Separately describing a component of the sale consideration as sales tax did not prevent its inclusion in business receipts.

Section 9B(3) required excess or non-exigible collections to be deposited with the State. The Court assumed that provision's validity without deciding its constitutional validity or the State's legislative competence. Even on that assumption, the deposit obligation did not distinguish Chowringhee. If the company later paid any part to the Government or refunded it to the purchaser, deduction of the amount paid could be claimed.

The Court left undisturbed the findings that the collections had neither been separately earmarked nor remitted or refunded. It distinguished Tattersall, where the money had never been received as income or a trading receipt. George Oakes supported treating tax passed on to a buyer as part of the consideration.

Source: [SCR 632A-634F](#)

03 JUDICIAL DECISION

The appeal was dismissed with costs. The Rs. 7,14,398 addition as a trading receipt stood, subject to the expressly stated deduction consequence of later payment or refund.

Source: [SCR 632F; 633B-D; 634G](#)

04 OUTCOME / IN WHOSE FAVOUR

Assessee's appeal dismissed. Result: Revenue. Costs: Costs against the appellant. Scope: Trading-receipt character finally decided. Limit: Later payment or refund remained deductible as described; validity of section 9B(3) was not decided.

Source: [SCR 634G](#)

05 AKHB REVIEW POINT

Separate receipt character from the timing and statutory conditions of a deduction. Record collection, segregation, remittance and refund evidence. The historical judgment does not itself resolve later payment-based disallowance provisions or the treatment of collections under a different indirect-tax regime.

Source: [SCR 632D-633F](#)

SOURCE & VERIFICATION

Original reported Supreme Court judgment

6-page retained public-mirror SCR report. The complete report was read as text and page images. Fresh remote authentication as a signed original is not claimed.

Open cited source rendition

The caption spells the party "SINCLAIRE MURRAY". The headnote at SCR 629 says validly exigible tax "could not" form part of the sale price and labels Paprika and Love inapplicable; the judicial body at SCR 631 and 633-634 states the contrary sale-price reasoning and uses those English passages through George Oakes. This note follows the judicial body. The substantive income-tax charging provision is not identified by number in this judgment; section 66(1) is its reference provision.

STATUTORY SCOPE

Indian Income-tax Act, 1922: 66(1).

The checked 2011 section 43B(a), its operative payment rule and proviso impose separate payment-based conditions on otherwise allowable tax deductions, including the return-due-date exception. Receipt character remains a separate question.

The checked FA 2026 version of section 37(1)-(3) likewise makes specified tax deductions depend on actual payment, with its return-date rule. These provisions do not themselves decide whether the original collection is a trading receipt.

The checked section 536 preserves previous operation, accrued rights and liabilities, and specified earlier-tax-year and pending proceedings under the 1961 Act. Establish the governing year and savings before choosing a statutory comparison.

No automatic precedent carry-over or verified case-specific 2025 applicability is claimed.

LATER TREATMENT

Source checked 2026-10-07. Dalmia Cement (Bharat) Ltd. v. Commissioner of Income Tax (Delhi High Court, 2013-07-23), paragraphs 31–40: Distinguishes Sinclair on the facts: refundable contingency deposits held as custodian were not collections as sales tax. It restates the trading-receipt and later-payment rule but declines to apply it to those deposits.

One bounded later judicial use is recorded; comprehensive subsequent history, absence of contrary treatment and current-law status remain unverified.

IDENTIFIED SOURCE LINKS

[Income-tax Act, 2025, as amended by Finance Act 2026](#)

Section 536(1) and (2)(a)–(e): physical 584–585, extracted lines 24385–24408. Selected official FA 2026 web-extracted text only; no raw-PDF, rendered-page or full-Act read claimed. No all-amendments or current-law certification.

[Income-tax Act, 1961, DOR-hosted Finance Act 2011 compilation](#)

Section 43B(a), main actual-payment rule and return-date proviso: physical 322–323, extracted lines 14109–14153. Selected web-extracted text only; no raw-PDF, rendered-page or full-Act read claimed. Historical version, not certification of current law.

[Income-tax Act, 2025, as amended by Finance Act 2026](#)

Section 37(1)–(8): physical 73–74, extracted lines 2887–2932. Selected official FA 2026 web-extracted text only; no raw-PDF, rendered-page or full-Act read claimed. No all-amendments or current-law certification.

[Dalmia Cement \(Bharat\) Ltd. v. Commissioner of Income Tax \(2013-07-23\), official court web-extracted PDF text](#)

paragraphs 31–40, physical 31–40; identity at physical 1 Official court PDF web-extracted text; bounded passage only, no raw-PDF or image validation.

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