

AZAMJAHİ MILLS LTD. HYDERABAD v. THE COMMISSIONER OF INCOME TAX, HYDERABAD

Civil Appeal Nos. 980-982 of 1971; Originating High Court proceedings: Case Referred No. 1 of 1967

[1976] 3 SCR 645 | 1976-03-17

The sale proceeds were received in British India when Government cheques were posted there under the parties' implied arrangement. The post office acted as the mill's receiving agent; subsequent collection through Hyderabad banks did not change that place of receipt.

2-judge bench | H.R. Khanna, J. | P.K. Goswami, J.

01 FACTS OF THE CASE

Azamjahi Mills was incorporated in Hyderabad State, then outside British India, and supplied textiles from Warangal to the Government of India under the wartime panel system. Its bill form requested cheque payment and inserted Hyderabad in the space for the bank's location. Purchase-order instructions provided for payment by the Controller of Supply Accounts in Bombay.

Government cheques were posted from British India and collected through the mill's Hyderabad bankers. Some were drawn on British-India banks and others on Hyderabad banks. The officer brought only the former category into the Indian assessment, but the appellate authority enhanced it by treating all sale proceeds as received in British India. The Tribunal and High Court agreed.

Source: [SCR646D-647E](#)

02 DISCUSSION BY THE HON'BLE COURT

The question before the Supreme Court was the place of receipt, not the separately referred enhancement-power or limitation issues. The course of dealings established an understanding that the Government would pay by cheques sent from British India through the ordinary postal channel. The post office accordingly received the cheques as the creditor's agent.

The Court expressly qualified the rule: mere posting is not delivery to a creditor without a request or agreement authorising that mode of payment. Authorisation need not be express; it can be inferred from the transaction and established practice. Ogale Glass Works, Shri Jagdish Mills and Indore Malwa supported that inference, including where the bill did not expressly ask for postal transmission.

Patney was distinguished because that creditor had expressly required payment at Secunderabad. The bank-location entry here did not negate the implied postal arrangement found on the facts. The analysis separates the place of delivery to the authorised receiving agent from later physical arrival or bank collection. It does not establish that any cheque mailed by any debtor creates receipt at the place of posting.

Source: [SCR647F-650D](#)

03 JUDICIAL DECISION

All three assessee appeals were dismissed without costs. The High Court's answer that the Government sale proceeds were received in British India was affirmed for the assessment years 1945-46, 1946-47 and 1947-48.

Source: [SCR650D](#)

04 OUTCOME / IN WHOSE FAVOUR

Three assessee appeals dismissed. Result: Revenue on place of receipt. Costs: Without costs. Scope: Postal receipt in British India upheld. Limit: Implied authorisation established by the dealings; other reference questions outside this decision.

Source: [SCR650D](#)

05 AKHB REVIEW POINT

Collect the payment instructions, bill language and actual course of remittances before assigning receipt to a postal agent. An express place-of-payment condition can change the analysis. Distinguish the historical taxable territories from present geography and verify how the applicable receipt provision treats the actual payment method, especially where transmission is electronic.

Source: [SCR648A-C;650B-D](#)

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 source's originating High Court docket is printed Case Referred No.1 of 1967, not an invented tax-reference label. Section 4(1)(a) appears in the Court's adopted earlier receipt authorities; section 66 is expressly the present reference route. The Court identifies enhancement and limitation as questions with which it is not concerned.

STATUTORY SCOPE

Indian Income-tax Act, 1922; 4(1)(a), 66.

The checked 2011 section 5(2)(a) concerns Indian receipt for non-residents. It is a general comparison, not a rule that a debtor's unauthorised mailing fixes receipt or a substitute for the historical territorial facts.

Selected 2025/FA 2026 section 5(2)(a) includes Indian receipt as a connecting factor for non-residents. The old postal-agency reasoning still requires proven authority and attention to an agreed payment place; no direct transfer of the British-India/Hyderabad setting is asserted.

Section 1(3) commenced the 2025 Act on 1 April 2026, subject to exceptions. Section 536 preserves prior operation, rights and liabilities and the 1961 procedure for specified earlier-year and pending proceedings. Determine the governing year and savings before using any comparison.

Related-section tags are research navigation only. They are not provisions decided in this judgment or verified mappings beyond any expressly bounded comparison below.

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

LATER TREATMENT

Source checked 2026-10-07. Commissioner of Income-Tax v Kalyanmal Mills Tent Factory (Madhya Pradesh High Court, 1980-02-06), paragraphs 11–14: Distinguishes Azamjahi and related postal-agency decisions where the parties agreed the place of payment. Posting a cheque does not invariably fix the situs irrespective of an agreement. Historical British-India facts remain material.

Bounded later use is recorded below. No claim of exhaustive research, absence of contrary treatment or current-law certification is made.

IDENTIFIED SOURCE LINKS

[Commissioner of Income-Tax v Kalyanmal Mills Tent Factory \(1980-02-06\), nonofficial judicial text reproduction](#)

paragraphs 11–14 Third-party public judicial text via web extraction; no court-original image validation; apparent OCR/typesetting anomalies preserved; link markup removed only in passage file; bounded passage only, not full later judgment.

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

Section 5(2)(a), physical 72. Selected extracted text only; not present-day 1961 consolidation or source-image verification.

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

Section 5(2)(a), physical 27, extracted lines 1069–1074. Selected official web-extracted text only; not full Act/raw-PDF/image/all-amendments verification. Physical pages are one-based; underlying web P indexes are zero-based.

[2025 Act commencement and savings, selected FA 2026 text](#)

Section 1(3), physical 1, lines 0–13; section 536(2)(a)–(e), physical 584–585, lines 24385–24408.

AI DISCLOSURE

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

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