

HUKAM CHAND MILLS LTD. INDORE v. COMMISSIONER OF INCOME TAX, BOMBAY

Civil Appeal Nos. 1062-1066 (NT) of 1970; Originating High Court proceedings: Income-Tax Reference No. 5 of 1961

[1976] 3 SCR 712 | 1976-03-19

The Court accepted evidence-based attribution of 15% and 7½% for two sales groups and fixed 1942-43 British-India profits at the printed Rs. 54,400. The proportions were factual estimates, not a universal formula or an application of Rule 33.

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

Case-specific allocation; printed arithmetic retained

The 15% and 7½% proportions are factual findings. The reported total is Rs. 54,400 despite inconsistent intermediate percentage products; no corrected figure is substituted.

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

01 FACTS OF THE CASE

An Indore textile manufacturer sold to merchants in British India through four transaction patterns: company representatives canvassing there, independent brokers there, merchants visiting Indore, and merchants or their brokers placing orders during visits. Five appeals covered 1942-43, 1943-44, 1945-46, 1946-47 and 1947-48; the Court used 1942-43 facts because the legal issues were common.

An earlier Supreme Court decision had established that proportionate profits were taxable in British India. On remand the High Court approved one-third attribution by analogy with Rule 33. Both parties later agreed that rule was inapplicable, and the Supreme Court obtained a supplementary Tribunal statement addressing the actual operations.

Source: [SCR713C-714F](#)

02 DISCUSSION BY THE HON'BLE COURT

The Tribunal grouped Rs. 9,37,919 of representative-and-broker sales for 15% profit attribution, and Rs. 5,42,140 of Indore-visit sales for 7½%. It examined where orders originated and were accepted, who canvassed customers, whose forms were used and where contracts were signed. The company also maintained an organisation in British India promoting its goods and laying the groundwork for these sales.

Neither party challenged the supplementary findings. The Court held that the share of profits arising in British India was essentially factual and dependent on the circumstances. Without a statutory or other fixed formula, approximation was unavoidable. A proportion grounded in relevant material should therefore stand, despite the absence of mathematical precision.

That tolerance did not permit arbitrary percentages. The evidential inquiry replaced the earlier unsupported Rule 33 analogy. Nor did the Court reopen the prior determination that part of the profits accrued in British India. Its task here was allocation, with materially different sales operations supporting different proportions.

Source: [SCR714G-716D](#)

03 JUDICIAL DECISION

The assessee's appeals were allowed and the High Court's answer to question 2 discharged. The Court fixed 1942-43 profits at Rs. 54,400 and approved 15% and 7½% attribution for the respective groups. Each side bore its own costs.

Source: [SCR716D-E](#)

04 OUTCOME / IN WHOSE FAVOUR

Assessee appeals allowed; attribution answer replaced. Result: Assessee on reduced quantified allocation. Costs: Parties bear own costs. Scope: Rs. 54,400 fixed for 1942-43; approved category-specific proportions. Limit: Historical territorial facts, supplementary evidence and no applicable fixed formula.

Source: [SCR716D-E](#)

05 AKHB REVIEW POINT

Document the functions and transaction steps supporting each allocation, and distinguish a factual estimate from a statutory formula. Preserve the reported figures when citing the disposition: the printed computations do not exactly reproduce 15% or 7½% of the stated 31.12% margin. Do not silently correct the judgment or reuse its percentages as present-day benchmarks.

Source: [SCR714G-715B;716B-E](#)

SOURCE & VERIFICATION

Original reported Supreme Court judgment

5-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 body prints 31.12% profit margin, then 4½% as 15% of it and 2¼% as 7½% of it, yielding 42,200 plus 12,200 and final 54,400. Those percentage products are not exact; the judicial disposition and all printed rates are retained. The headnote compresses/mislabeled the four sales categories; the body at 713F-G and 715-716 controls. No specific section 42(3) holding is added because this judgment does not print that provision.

STATUTORY SCOPE

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

The checked 2011 section 9(1)(i), Explanation 1(a), permits reasonable attribution to Indian operations. This is research context only: the original judgment does not expressly decide section 42(3), and Rule 33 was conceded inapplicable.

Selected 2025/FA 2026 section 9(9)(f)(i) refers to income reasonably attributable to Indian operations. It is a bounded research comparison. No automatic modern use of 15%, 7½% or the old British-India factual allocation follows.

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 Delhi IV v EHPT India P. Ltd. (Delhi High Court, 2011-12-14), paragraphs 9-12: Invokes Hukam Chand for fact-sensitive approximate apportionment where no fixed statutory formula governs. It preserves a consistently accepted head-count approach on the case's facts, expressly denying any universal preference for that method.

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 Delhi IV v EHPT India P. Ltd. \(2011-12-14\), nonofficial judicial text reproduction](#)

paragraphs 9-12 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 9(1)(i), Explanation 1(a), physical 76. Selected extracted text only; not present-day 1961 consolidation or source-image verification.

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

Section 9(9) context, physical 34, lines 1337-1340; clause (f), physical 36, lines 1403-1407. 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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