

Ramachander Shiv Narayan v. Commissioner of Income Tax, Andhra Pradesh, Hyderabad

Civil Appeal No. 1611 of 1972

[1978] 1 SCR 801 | 1977-11-04

Whether Rs.30,000 stolen from cash brought for the firm's business of buying Government securities was a deductible trading loss, despite the absence of an express statutory theft-loss allowance.

28 | 29 | 37 (expenditure contrasted with forced loss) | 256(1)

2-judge bench | N.L. Untwalia, J. | D.A. Desai, J.

Assessment years: 1964-65

Business nexus and trading-loss character are indispensable

The Court allowed the particular Rs.30,000 theft loss on unchallenged Tribunal facts connecting borrowed cash with the firm's Government-securities business for AY 1964-65. It treated forced loss through commercial profit computation, not as section 37 expenditure. Every theft or capital loss is not covered. The preface's High Court date is chronologically inconsistent with the appeal year and remains uncorrected. Appeal costs were awarded to the assessee. Comprehensive later treatment, current law and 2025 mapping are not verified.

01 FACTS OF THE CASE

The registered firm traded in gold, silver and gunnies at Rajahmundry and also dealt with Government securities. For AY 1964-65, its accounting year ended on 16 October 1963; it returned a business loss of Rs.5,008 after claiming Rs.30,000 lost by theft. An employee brought Rs.50,000 in cash, borrowed from a creditor for purchasing Government securities, and handed it to the cashier. When the cashier turned to get books, a stranger stole Rs.30,000 at the business premises. A police report produced no recovery (physical page 3/SCR 803 B-E and page 8/SCR 808 E-F).

The Income-tax Officer treated the loss as idle-money or capital loss; the first appellate authority rejected the claim, but the Tribunal allowed it as incidental to business. On the Revenue's section 256(1) reference, the Andhra Pradesh High Court ruled against the firm. The Tribunal's factual findings were not challenged by an appropriate referred question; the Supreme Court proceeded on those established facts in the firm's special-leave appeal (physical pages 2-3/SCR 802 F-H and 803 A-E).

Source: See the proposition-specific paragraph and PDF-page references below.

02 DISCUSSION BY THE HON'BLE COURT

The Court expressly connected former section 10(1) with section 28, and former computation allowances with section 29 of the 1961 Act. A non-capital trading loss must enter the commercial ascertainment of true profits even without a specifically enumerated deduction. Section 37's expenditure language is not itself the source of a forced theft-loss allowance, because expenditure carries a voluntary element which theft does not (physical page 4/SCR 804 B–E).

Through Badridas Daga and Nainital Bank, the Court required a direct and proximate connection between the business operation and the loss, or a loss incidental to carrying on that business. The quotation from Daga also retains the condition that no express or implied prohibition apply. The distinction between theft by a stranger and employee misappropriation, or between cash constituting stock-in-trade and cash needed for other business operations, did not itself defeat a properly connected trading loss. Foreign statutory language was compared expressly, not treated as India's enacted text (physical pages 5–6/SCR 805 A–806 H).

The Court rejected the Andhra Pradesh High Court's narrow approach in Chakka Narayana and Maduri Rajeshwar. Cash may be held for sale proceeds, business disbursements or stock purchases, and the operational nexus is decisive. Here bringing the borrowed cash to buy Government securities was an ordinary business operation. Whether the remaining Rs.20,000 was actually used to buy securities was immaterial to the lost Rs.30,000's character on the facts found (physical pages 7–8/SCR 807 D–808 G).

Source: See the proposition-specific paragraph and PDF-page references below.

03 JUDICIAL DECISION

The firm's appeal was allowed, the High Court's decision set aside and the referred question answered in the assessee's favour and against the Commissioner. The Commissioner was directed to pay the appellant's costs of this appeal (physical page 8/SCR 808 G).

Source: See the proposition-specific paragraph and PDF-page references below.

04 OUTCOME / IN WHOSE FAVOUR

In whose favour: Assessee firm

Appeal allowed; High Court decision set aside; Rs.30,000 trading-loss question answered for the assessee; Commissioner to pay appeal costs

Final substantive allowance of the identified trading loss on unchallenged Tribunal facts

Direct/proximate operational nexus and non-capital character remain essential; this is not a rule that every loss of cash on business premises is deductible, nor a section 37 expenditure award.

Source: See the proposition-specific paragraph and PDF-page references below.

05 AKHB REVIEW POINT

Start with the commercial operation the money served, then prove the loss and its connection to that operation. This was not simply cash present in a shop: the Tribunal's established facts tied borrowed money to the firm's securities business. Preserve the distinction between a trading loss in computing profits and an expenditure deduction under section 37.

The Court did not decide a challenged version of the facts, all forms of theft, losses of fixed capital or the effect of later prohibitions. A later-year claim needs its own statutory and factual checks; no broader modern entitlement is certified here.

Source: See the proposition-specific paragraph and PDF-page references below.

PROPOSITION-SPECIFIC SOURCE PARAGRAPHS AND PDF PAGES

1.

Topic: Identity, printed docket anomaly and actual reference route

Source url: [Open cited source](#)

Pdf pages: 1; 2

Paragraphs: SCR 801 heading; 802 F-H

Source role: reported metadata and judicial text

2.

Topic: Unchallenged findings, assessment period and theft facts

Source url: [Open cited source](#)

Pdf pages: 3

Paragraphs: SCR 803 A-E

Source role: judicial text

3.

Topic: 1961 sections 28/29 and section 37 contrast

Source url: [Open cited source](#)

Pdf pages: 4

Paragraphs: SCR 804 B-E

Source role: judicial text

4.

Topic: Precedents, prohibition caveat and operational nexus

Source url: [Open cited source](#)

Pdf pages: 5; 6

Paragraphs: SCR 805 B-806 H

Source role: judicial text

5.

Topic: Rejected narrow precedents, factual application and exact costs

Source url: [Open cited source](#)

Pdf pages: 7; 8

Paragraphs: SCR 807 D–808 G

Source role: judicial text

JUDICIAL AUTHORSHIP AND SEPARATE OPINIONS

N.L. Untwalia, J.

ACT IDENTIFIED IN THE REVIEWED SOURCE

Income-tax Act, 1961 (business-profit computation and section 256(1) reference)

OTHER STATUTORY PROVISIONS AND THEIR SEPARATE SCOPE

Indian Income-tax Act, 1922, sections 10(1), 10(2) and 10(2)(xv), explained as predecessors and through earlier cases; not the Act governing this assessment.; Australian Income Tax and Social Services Contribution Assessment Act, 1936–1952, section 51(1), quoted for comparison; foreign wording is not imported as Indian statutory text.

SOURCE & VERIFICATION

[Hon'ble Supreme Court source PDF \(reported judgment\)](#)

Identified source rendition: 8 PDF pages; SHA-256

db5987ed1a148ebdb55fb5526615dc3e8d2dc6ed5d93e78f346c5669fad90014. Original bytes preserved.

Judicial body begins physical page 2/SCR 802 G and ends physical page 8/SCR 808 G. Page 1 and page 2 through E contain reporter summary; page 2 F contains appellate metadata. No neighbouring judgment.

[Open cited source rendition](#)

Actual judgment date is 4 November 1977, although reported in the 1978 volume.; The preface at physical page 2 prints a High Court date of 4-3-1974 despite the Supreme Court appeal being numbered 1611 of 1972. That apparent chronological inconsistency is disclosed, not silently corrected; the actual Supreme Court date, docket and judicial rule are clear.; The Court identifies sections 28 and 29 for commercial profit computation; section 37 is used to distinguish forced loss from expenditure.; The Tribunal facts were not challenged by a referred question. The Rs.30,000 allowance is not a finding concerning every business theft or capital loss.; Earlier decisions, foreign legislation and the reporter headnote are distinguished from the Court's own rule and application.

AY 1964-65; accounting year ended 16 October 1963, expressly at physical page 3/SCR 803 B.

STATUTORY SCOPE

No automatic mapping to the Income-tax Act, 2025 and no present-law certification. Verify the applicable statutory version and procedural route separately.

LATER TREATMENT

Source checked 2026-10-05. not_verified. No later merits decision is relied on for this note and no comprehensive citator or current-law check is claimed. The reviewed primary source itself supplies the sections 28/29 versus section 37 distinction and the direct business-nexus limitation. Current law and Income-tax Act, 2025 mapping remain not_verified.

IDENTIFIED SOURCE LINKS

[reported judgment - PDF pages: 8](#)

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