

JUTE INVESTMENT CO. LTD. v. COMMISSIONER OF INCOME TAX, WEST BENGAL, CALCUTTA

Civil Appeal No. 2259 of 1972; originating High Court reference: I.T.R. No. 86/671
[1980] 1 SCR 902 | 1979-10-10

Purchase-and-sale contracts with the same counterparty, settled only through pucca delivery orders without actual transfer of the gunny bags, were speculative transactions. Documents of title and full cheque payments did not themselves establish the factual delivery required by the statute.

2-judge bench | N. L. Untwalia, J. | R. S. Pathak, J.

Documents and payment did not establish factual delivery

This case concerns admitted non-delivery in contracts with the same counterparty. Apply the relevant statutory definition and exceptions to the real settlement facts; do not infer speculative status solely from a document's name or from any failure to deliver.

Operative context: Indian Income-tax Act, 1922; historical sections 24(1) Explanation 2, 66A(2).

01 FACTS OF THE CASE

Jute Investment traded in gunnies. For the year ending 30 June 1960 it included purchases and sales of 5,700 bales of gunny bags with Messrs Kesardeo Shyamsunder among its transactions. The reported purchase price was Rs.22,05,000 and sale price Rs.19,79,550, producing the claimed loss of Rs.2,25,450 for assessment year 1961-62. The contracts were transferable specific delivery contracts governed by approved exchange bye-laws, but there was admittedly no physical delivery of goods. Only delivery orders changed hands.

The Income-tax Officer classified the loss as speculative. The first appellate authority and Tribunal instead relied on the transfer of pucca delivery orders, documents of title and cheque payments. The Tribunal also identified Rs.2,99,700 as the loss on one matched transaction, distinct from the net claim. The Calcutta High Court answered the reference against the assessee.

Source: [SCR 903 E-904 F](#)

02 DISCUSSION BY THE HON'BLE COURT

The Supreme Court read Explanation 2 to section 24(1) as requiring real or factual delivery or transfer of the commodity, rather than a notional transfer. The assessee's contention that delivery of pucca orders was itself actual delivery was rejected. Commercial form, exchange recognition and full payment did not overcome the admitted lack of delivery in the transaction under review.

The Court traced the authorities. Raghunath Prasad Poddar had taken a more liberal approach to chains of transactions ending in actual delivery, but the larger bench in Davenport had overruled it and preferred the stricter approach. The present facts were simpler still: the purchases and sales were between the assessee and the same counterparty, and nobody disputed that the goods had not actually been delivered or transferred.

The decision therefore applies the statutory definition to the actual method of settlement. It does not treat a commercial loss as imaginary or determine tax liability merely from the parties' motive. Nor does it decide every possible arrangement involving warehouse documents, a proved factual transfer, or a statutory exclusion from the speculative-transaction definition. Those questions were not presented on this admitted record.

Source: [SCR 904 G-905 F](#)

03 JUDICIAL DECISION

The Court held that the High Court correctly answered the reference in favour of Revenue and dismissed the assessee's appeal with costs. The claimed loss arose from speculative transactions within the 1922 Act definition; it was not accepted as the ordinary business loss asserted by the company.

Source: [SCR 905 F-G](#)

04 OUTCOME / IN WHOSE FAVOUR

Assessee's appeal dismissed; reference answer in favour of Revenue upheld. Result: Revenue. Costs: Appeal dismissed with costs. Scope: Speculative-transaction classification finally decided. Limit: Same-counterparty contracts settled by pucca delivery orders without actual delivery or transfer of goods.

Source: [SCR 905 G](#)

05 AKHB REVIEW POINT

Reconcile contract quantities, prices, gross loss and the actual deduction claimed, then prove the mode of settlement independently of payment records. For a later-year transaction, examine the correct section 43(5) version and any hedging or qualifying-derivative exception before using this historical delivery rule. Keep this appeal distinct from Nirmal Trading and Empire Jute: similar commodity language or a shared decision date does not make them the same precedent.

Source: [SCR 903 E-904 D](#); [905 A-G](#)

SOURCE & VERIFICATION

Original reported Supreme Court judgment

4-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 headnote's Rs.2.75 lakh differs from the judicially stated claim of Rs.2,25,450; the latter is used. The judgment separately reports Rs.2,99,700 on one transaction. The originating docket is legibly printed I.T.R. No. 86/671 and is preserved verbatim; no corrected lower-court number is inferred. Supreme Court Civil Appeal No.2259 of 1972 and the judgment date are clear.

STATUTORY SCOPE

Indian Income-tax Act, 1922, section 24(1) Explanation 2, section 66A(2).

Section 43(5) retains an actual-delivery-based definition but includes its own hedging, jobbing/arbitrage and qualifying-derivative exceptions. The checked official version is 2021; the applicable assessment-year text must be established independently.

Section 66(31) and (33) in the checked 21 August 2025 statutory reproduction provides a related definition with specified exceptions. Official current consolidation was not verified; this is a bounded textual comparison, not automatic application of the historical judgment.

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

LATER TREATMENT

Source checked 2026-10-06. ITO v. SSJ Commodities (P) Ltd., Mumbai Tribunal, 27 November 2018, records an Assessing Officer citation of Jute Investment alongside Nirmal Trading for section 43(5). The Tribunal allowed the failed-supply advance as a business loss on its own facts. The reference demonstrates later use but is not a fresh Tribunal endorsement of the Assessing Officer's reasoning.

Bounded review of SSJ Commodities paragraphs 6-12 distinguishes the Assessing Officer's citation, the first appellate reasoning and the Tribunal's own decision. This later citation does not establish exhaustive subsequent history or automatic applicability to all non-delivery transactions.

IDENTIFIED SOURCE LINKS

ITO v. SSJ Commodities (P) Ltd. (2018-11-27), nonofficial HTML judicial reproduction

Judicial paragraphs 6-12, especially citation at reproduced pages 6-7 and Tribunal reasoning at pages 10-11; HTML lines 91-141. No raw PDF/image review.

1961 Act section 43(5), provisos and definitions in Explanations

1961 Act section 43(5), provisos and definitions in Explanations; official historical version labelled 2021. Bounded comparison, not all subsequent amendments.

Nonofficial statutory reproduction: 2025 Act section 66(31), (33), statutory HTML reproduction under version dated 21 August 2025

2025 Act section 66(31), (33), statutory HTML reproduction under version dated 21 August 2025; not an authenticated official current consolidation.

AI DISCLOSURE

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