

COMMISSIONER OF INCOME TAX, PATIALA v. PIARA SINGH

Civil Appeal No. 2752 of 1972; originating High Court reference: Income Tax Reference No. 38 of 1969

[1980] 3 SCR 1122 | 1980-05-08

On the finding that the assessee regularly carried on smuggling as his business, confiscation of currency needed to acquire smuggled gold was treated as an incidental business loss under section 10(1) of the 1922 Act. Later judicial and statutory limitations are material.

3-judge bench | P. N. Bhagwati, J. | V. D. Tulzapurkar, J. | R. S. Pathak, J.

Material later limitation: do not rely on this alone

Prakash Chand Lunia (2023) denied a confiscation-loss claim. Shah J. distinguished Piara Singh; Sundresh J.'s separate concurrence said Piara Singh and Quereshi did not lay down correct law in light of Haji Aziz and Explanation 1 to section 37. The 1980 holding is preserved here as historical analysis, not unrestricted current authority.

Operative context: Indian Income-tax Act, 1922; historical sections 10(1).

01 FACTS OF THE CASE

Piara Singh was apprehended in September 1958 while crossing into Pakistan with Rs.65,500 in currency. He said the money was intended to purchase gold for smuggling back into India. Customs authorities confiscated it. The Income-tax Officer treated Rs.60,500 as income from undisclosed sources, and the first appeal failed.

Before the Tribunal, the assessee argued that if his activity was treated as a smuggling business, the entire confiscated Rs.65,500 was a loss in that business. The Tribunal accepted that he conducted regular smuggling operations involving currency taken out of India, gold acquired in Pakistan and its subsequent sale in India. The Punjab and Haryana High Court answered the referred deduction question affirmatively. Revenue appealed.

Source: [SCR 1123 E-1124 C](#)

02 DISCUSSION BY THE HON'BLE COURT

The Supreme Court proceeded on the factual finding of a smuggling business whose income was being taxed. Carrying the currency across the border was an essential means of acquiring the gold. Detection and confiscation were predictable incidents of that activity, and the loss therefore arose directly from carrying on the business. Applying Badridas Daga and the net-profit reasoning in S.C. Kothari, the Court allowed the loss in computing business income.

The Court distinguished Haji Aziz, where a lawful dates-import business incurred a fine after violating import restrictions. It similarly explained the gold-confiscation authorities by distinguishing an infraction during a lawful trade from a business inherently involving smuggling. That distinction was central to this judgment; the Court did not announce a general deduction for every fine, offence or confiscation.

The amount allowed was a trading loss under section 10(1), not expenditure allowed under section 10(2)(xv). The source's quotation from S.C. Kothari supports computing taxable profits after relevant business losses, but does not itself supply findings about Piara Singh's transactions. The decision rests on the Tribunal's accepted business finding and the currency's direct role in those operations.

Source: [SCR 1124 C-1126 B](#)

03 JUDICIAL DECISION

The Court held that the Rs.65,500 confiscation loss was deductible and affirmed the High Court's answer. Revenue's appeal was dismissed with costs. The editorial headnote incorrectly introduces the result as allowing the appeal; the judicial disposition is unequivocally dismissal.

Source: [SCR 1126 B-C](#)

04 OUTCOME / IN WHOSE FAVOUR

Revenue's appeal dismissed; High Court's allowance of Rs.65,500 upheld. Result: Assessee in this historical 1922 Act dispute. Costs: Appeal dismissed with costs. Scope: The specific business-loss question was finally decided. Limit: Founded on regular smuggling as the assessed business; cannot be used as unrestricted modern authority for illegal expenditure or confiscation losses.

Source: [SCR 1126 C](#)

05 AKHB REVIEW POINT

Treat this as a historical precedent that requires a later-law check before practical reliance. In Prakash Chand Lunia (2023), Shah J. distinguished it on the lawful silver-business facts; Sundresh J.'s separate concurrence criticized its reasoning and applied the section 37 prohibition to confiscation losses. Address both opinions, the applicable statute and the precise loss claimed. Avoid saying that illegality by itself guarantees deductibility, or treating a bare citation to Piara Singh as sufficient advice today.

Source: [SCR 1124 C-1126 B, read with the separately identified 2023 treatment](#)

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 headnote's 'Allowing the appeal' conflicts with SCR 1126 C and the reporter's concluding 'Appeal dismissed'. The note follows the Court's actual disposition. Rs.60,500 assessed income and Rs.65,500 claimed loss are distinct figures, not transcription variants.

No assessment year is stated in the five-page primary judgment.

STATUTORY SCOPE

Indian Income-tax Act, 1922, section 10(1).

Sections 28 and 29 concern later business-income computation; the separately checked 2025-version section 37(1) Explanation 1 prohibits offence/prohibited-purpose expenditure. Prakash Chand Lunia specifically addresses the claimed business-loss distinction. This is not a direct relabelling of section 10(1).

Section 34(2)(a) and (3), official version labelled 2026, contains the related offence/prohibited-purpose exclusion. No judicial application of Piara Singh under the 2025 Act has been verified.

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

LATER TREATMENT

Source checked 2026-10-06. CIT v. Prakash Chand Lunia, 24 April 2023, Civil Appeal Nos.7689-90 of 2022: Shah J., paragraphs 6.1-8.1, distinguished Piara Singh and denied the lawful silver trader's confiscation loss. Sundresh J., paragraphs 24-27, separately criticized Piara Singh, treated Quereshi as per incuriam, and stated broader conclusions based on Explanation 1 to section 37. Both opinions allowed Revenue's appeals; their routes must not be collapsed into a single unqualified overruling statement.

Bounded judicial-text review of both opinions, particularly Shah J. paragraphs 6.1-8.1 and Sundresh J. paragraphs 24-27 and the section 37 discussion. Official api.sci.gov.in and webapi.sci.gov.in PDF opens failed; the signed-PDF reproduction was text-indexed, but screenshots failed. HTML reproduction was read. No full image verification of that later judgment or comprehensive subsequent-history search is claimed.

IDENTIFIED SOURCE LINKS

CIT v. Prakash Chand Lunia (D) through LR (2023-04-24), nonofficial HTML judicial reproduction

Shah J. paragraphs 6.1-8.1; Sundresh J. section 37 discussion and paragraphs 24-27; separate judicial voices and quoted older judgments distinguished. HTML and indexed signed-PDF text, not a full later-judgment read or image check.

1961 Act section 37(1), Explanations 1-3, official version labelled 2025

1961 Act section 37(1), Explanations 1-3, official version labelled 2025; web-indexed text read, direct open failed.

2025 Act section 34(1)-(3), official version labelled 2026

2025 Act section 34(1)-(3), official version labelled 2026; bounded official text read.

AI DISCLOSURE

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

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