

Standard Triumph Motor Co. Ltd. v. Commissioner of Income Tax, Madras

Civil Appeal Nos. 1022-1024 and 423 of 1982

[1993] 2 SCR 96 | 1993-02-25

Whether the royalty credits constituted receipt in India on the parties' arrangements, despite the non-resident's claim that receipt could occur only on remittance to the United Kingdom.

5(2), receipt issue | 145, broader interaction expressly undecided | 256(2)

Two-judge bench | B.P. Jeevan Reddy, J. | N. Venkatachala, J.

Assessment years: 1967-68, 1968-69, 1969-70, 1970-71

Receipt on these facts; sections 5/145 conflict not decided

Genuine royalty credits placed at the non-resident's disposal constituted receipt on these facts; remittance to the United Kingdom was not essential. The Supreme Court did not decide the broader sections 5(2)/145 conflict or adopt every quoted High Court proposition. Source amounts/year labels vary, and assessment completion remained directed. Comprehensive later treatment is unverified.

01 FACTS OF THE CASE

The United Kingdom company had a collaboration agreement with Standard Motor Products of India dating from November 1939. It entitled the non-resident to royalty of 5% of the Indian company's sales, less Indian tax, to be remitted in sterling. The Indian company kept the royalty account, determined amounts at its calendar-year end and credited the assessee; the assessee's accounting year ended 30 September. The agreement expired in 1965 and was renewed; the renewed agreement expired in November 1970 (physical pages 5-6 and 9-10).

For AYs 1967-68 and 1968-69 the returns disclosed mercantile accounting and royalty of Rs 7,21,600 and Rs 4,57,311. For AY 1969-70 the judicial history gives Rs 9,25,257 but a nil return based on claimed cash accounting and non-receipt abroad; the same approach was taken for AY 1970-71. The assessee later contested all four years. The Tribunal ordered inquiry into the accounting method and fresh assessments if cash accounting were established; the High Court rejected that approach under its wider reading of sections 5(2) and 145 (physical pages 6-9).

The Supreme Court said the paper-book lacked the statement of case and the tax authorities' orders, so it drew the facts from the High Court judgment. Counsel did not contend that the credits were bogus or merely make-believe, or that the amounts were not placed at the assessee's disposal. The dispute instead rested on the proposition that only receipt in the United Kingdom counted (physical pages 5 and 10-11).

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

02 DISCUSSION BY THE HON'BLE COURT

The Court rejected equating receipt with foreign repatriation. On the practice and genuine account credits described, royalty was received in India even if the non-resident left the funds there or chose to reinvest them. Previous returns illustrated the established treatment, but the Court expressly did not put its conclusion on estoppel (physical pages 10–12).

Raghava Reddi supplied the relevant analogy: funds genuinely credited and held for a non-resident's disposal could be received even without remittance abroad. The Court applied that principle to these credits. It did not hold that every debtor's unilateral accounting entry necessarily constitutes receipt regardless of the agreement, genuineness or availability of funds (physical pages 12–13).

Once receipt through the account credits was established on these facts, investigation of the asserted cash or mercantile method was unnecessary. The Court expressly declined to decide whether sections 5(2) and 145 conflicted or to endorse the High Court's proposition that section 5(2)(a) could never apply in this situation and section 5(2)(b) necessarily controlled irrespective of accounting method. It said the referred question did not really arise and need not have been answered (physical page 13).

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

03 JUDICIAL DECISION

The assessee's appeals were dismissed without costs. The Tribunal's accounting-method remand was unnecessary; it was directed to complete the assessments in light of the receipt ruling. The Court did not quantify final tax or adopt the High Court's broader statutory-interaction analysis (physical page 13).

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

04 OUTCOME / IN WHOSE FAVOUR

In whose favour: Revenue on receipt and rejection of the overseas-remittance-only argument

Four appeals dismissed; Tribunal to complete assessments consistently with judgment; no costs

Receipt issue decided; broader statutory interaction reserved and assessment completion directed

No universal rule for all account credits, no treaty/royalty-rate ruling, and no final decision that section 145 invariably yields to accrual under section 5(2)(b).

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

05 AKHB REVIEW POINT

Distinguish where income is received from where it is later transferred. Document the agreement, the credit mechanism, whether the credit is genuine, the recipient's right to disposal and the parties' conduct. The decision rests on the particular facts supporting receipt; it is not enough to isolate the word credit and disregard its legal effect.

Keep the Supreme Court's ground apart from the quoted High Court reasoning. The Court deliberately avoided resolving the supposed conflict between accounting method and charging scope because receipt disposed of the controversy. Its use of past returns was explanatory, not an estoppel holding, and the direction to complete assessments is not a new mathematical tax award. Treaty provisions, later royalty definitions, subsequent accounting legislation and comprehensive later treatment were not verified for this note.

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

PROPOSITION-SPECIFIC SOURCE PARAGRAPHS AND PDF PAGES

1.

Topic: Identity, appeals, four years and missing paper-book material

Source url: [Open cited source](#)

Pdf pages: 1; 4; 5

Paragraphs: Unnumbered judicial text

Source role: reported metadata and judicial text

2.

Topic: Return amounts, method dispute and Tribunal remand

Source url: [Open cited source](#)

Pdf pages: 6; 7

Paragraphs: Unnumbered judicial text

Source role: judicial text

3.

Topic: High Court reasoning not adopted as final Supreme Court ground

Source url: [Open cited source](#)

Pdf pages: 8; 9; 13

Paragraphs: Unnumbered judicial text

Source role: judicial text

4.

Topic: Genuine credits, availability, repatriation and no estoppel

Source url: [Open cited source](#)

Pdf pages: 10; 11; 12

Paragraphs: Unnumbered judicial text

Source role: judicial text

5.

Topic: Receipt precedent, reserved questions and operative direction**Source url:** [Open cited source](#)**Pdf pages:** 12; 13**Paragraphs:** Unnumbered judicial text**Source role:** judicial text

JUDICIAL AUTHORSHIP AND SEPARATE OPINIONS

B.P. Jeevan Reddy, J.

ACT IDENTIFIED IN THE REVIEWED SOURCE

Income-tax Act, 1961

SOURCE & VERIFICATION

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

Identified source rendition: 13 PDF pages; SHA-256

937b6ccfca9e256586901960b5f6dd523bc0e4a777ea1b0020ad6b3a2c853a40. Original bytes preserved.

Complete unnumbered judicial text physical pages 5–13/SCR 100–108; pages 1–4 principally editorial, with the jurisdiction and appeal-number line at the end of page 4. Extensive High Court quotation on pages 8–9 and older precedent quotation on pages 12–13 are distinguished from the Supreme Court's narrower ground. No adjoining judgment.

[Open cited source rendition](#)

The judicial history on page 6 gives AY 1969-70 royalty of Rs 9,25,257; the editorial opening gives Rs 9,25,357. No corrected amount is inferred.; The narrative later alternates the first changed-basis year between 1968-69 and 1969-70 and refers to earlier returns as 1966-67/1967-68. The clear four disputed AYs are preserved without silently harmonising every historical label.; The referred question quoted on page 5 lists three years, while the judicial opening and four appeals cover four AYs through 1970-71. No extra or missing case is invented.; The Court itself records missing factual materials in its paper-book and reliance on the High Court narrative. This source limitation is not concealed.; The High Court's broad sections 5/145 reasoning appears as a quotation, then is expressly left undecided by the Supreme Court. It must not be indexed as the latter's affirmed ratio.; The Raghava Reddi passage concerns a separate Japanese company and the 1922 Act. Its facts and statutory section 4(1)(a) are not the present assessee's identity or the operative 1961 section label.; The Court directed assessment completion, not the Tribunal's original inquiry into accounting method. No amount is given for AY 1970-71 and no final tax computation is supplied.

STATUTORY SCOPE

No automatic mapping to the Income-tax Act, 2025 or present-law certification. Apply the statutory text for the relevant year.

LATER TREATMENT

Source checked 2026-10-04. No comprehensive later-treatment search is certified. Any actually checked later judgment or statute is expressly identified in this note.

IDENTIFIED SOURCE LINKS

[reported judgment - PDF pages: 13](#)

SHA-256: 937b6ccfca9e256586901960b5f6dd523bc0e4a777ea1b0020ad6b3a2c853a40

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