

Universal Radiators, Coimbatore v. Commissioner of Income Tax, Tamil Nadu

Civil Appeal No. 5897 of 1983

[1993] 2 SCR 775 | 1993-03-30

Whether the devaluation surplus on the insurance settlement for copper ingots seized in transit was assessable as a revenue/business receipt for AY 1967-68, including under the business exception to the then section 10(3).

10(3), including 10(3)(ii) (historical casual/non-recurring receipt exclusion and business exception) | 2(13) (business definition) | 2(24) (income definition) | 4 (charging context identified by the reporter; no separate section 4 question)

Two-judge bench | Dr. T.K. Thommen, J. | R.M. Sahai, J.

Assessment years: 1967-68

Fact-specific surplus under historical section 10(3)

The assessee won on the exceptional seized-ingot facts and the then section 10(3), not on a general exemption for foreign-exchange gains or insurance payments. The reasons include an alternative sterilised-stock analysis; the source also contains a paid/unpaid wording inconsistency in a quoted Tribunal passage. No separate capital-gains charge, comprehensive later treatment or present-law/2025 mapping has been verified.

01 FACTS OF THE CASE

The assessee manufactured automobile radiators. It purchased copper ingots from the United States for shipment to Bombay, where they were to be rolled into strips and sheets before being sent to the assessee for manufacture. During India-Pakistan hostilities, Pakistani authorities seized the vessel. The American insurer later settled the claim. Because the rupee had meanwhile been devalued, the settlement yielded Rs 3,43,556 against the Rs 2,00,164 stated cost; the difference was credited to profit on devaluation (physical pages 5-6).

The Income Tax Officer rejected the claim that the difference was a casual, non-recurring receipt outside tax. The Appellate Assistant Commissioner treated it as incidental to business. The Tribunal held that seizure had sterilised the goods, that the surplus was capital rather than a trading profit, and that the insurance settlement was outside the normal course of business. On Revenue's reference, the Madras High Court treated the sum as a revenue receipt and relied in part on a hypothetical profitable sale of imported goods after devaluation. The two referred questions expressly concerned AY 1967-68 and the revenue/business character of the surplus. The appeal arose from the High Court's 25 July 1979 judgment in Tax Case No. 54/76, Reference No. 35/76 (physical pages 5-7).

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

02 DISCUSSION BY THE HON'BLE COURT

The Court distinguished a receipt from taxable income and its statutory computation. The then section 10(3) required both casual and non-recurring character, but denied the exclusion to receipts arising from business. Mere irregularity or non-recurrence was therefore insufficient: the nature of the receipt and its nexus with the actual business remained decisive. The wide definitions of income and business did not make every receipt of a business taxpayer a business receipt (physical pages 7–9).

On these facts the assessee traded in neither ingots nor their sale. The ingots required conversion before use in radiator manufacture, and seizure interrupted that connection before Bombay. The Court held that they were not the assessee's stock-in-trade; alternatively, applying *Canara Bank*, even if initially treated as stock-in-trade they had become blocked and sterilised, so the exchange surplus in these circumstances was capital. *State Bank of India*, concerning foreign currency employed in banking operations, was distinguished (physical pages 9–11).

Insurance against loss of profits was distinguished from compensation for loss of goods. The result depended on the purpose of insurance, nature of the payment and the taxpayer's business. Here the insurer supplied the money equivalent of goods the assessee had been prevented from using; the extra rupee amount arose from fortuitous devaluation rather than trading. The Court approved *Union Engineering Works* on its facts and rejected the High Court's hypothetical-sale reasoning (physical pages 11–13).

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

03 JUDICIAL DECISION

The Court allowed the appeal and answered both referred questions in the affirmative, in favour of the assessee and against Revenue. The devaluation surplus was not assessable as the revenue/business receipt contended for. The assessee was awarded its costs; no remand or separate capital-gains computation was ordered (physical page 13).

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

04 OUTCOME / IN WHOSE FAVOUR

In whose favour: Assessee

Appeal allowed; both referred questions answered for the assessee; assessee entitled to costs

Final answer on the character and assessability of the particular devaluation surplus for AY 1967-68

Fact-specific application of the historical section 10(3); no universal exemption for insurance proceeds, exchange gains or capital receipts, and no separate capital-gains charge adjudicated.

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

05 AKHB REVIEW POINT

Identify the actual asset, the use to which it had been put, the intervening event and the risk insured before classifying an insurance or currency receipt. The alternative sterilisation reasoning matters alongside the Court's finding that these unconverted ingots were not trading stock. Preserve the distinction between the compensation itself and the surplus produced by devaluation.

Do not turn the statements about goods purchased for business into a rule covering every raw-material purchase or every exchange fluctuation. The decision expressly recognises that loss-of-profits insurance and receipts tied to trading goods may be revenue. The historical section 10(3) wording and this unusual interruption of the manufacturing chain are essential. No comprehensive later-treatment or present-law check has been completed.

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

PROPOSITION-SPECIFIC SOURCE PARAGRAPHS AND PDF PAGES

1.

Topic: Identity, author and procedural origin

Source url: [Open cited source](#)

Pdf pages: 1; 5

Paragraphs: Unnumbered judicial text

Source role: reported metadata and judicial text

2.

Topic: Goods, insurance settlement, AY and two referred questions

Source url: [Open cited source](#)

Pdf pages: 5; 6; 7

Paragraphs: Unnumbered judicial text

Source role: judicial text

3.

Topic: Historical section 10(3), income/business definitions and nexus

Source url: [Open cited source](#)

Pdf pages: 7; 8; 9

Paragraphs: Unnumbered judicial text

Source role: judicial text

4.

Topic: Stock-in-trade analysis and alternative sterilisation ground

Source url: [Open cited source](#)

Pdf pages: 9; 10; 11

Paragraphs: Unnumbered judicial text

Source role: judicial text

5.

Topic: Insurance distinction and factual application**Source url:** [Open cited source](#)**Pdf pages:** 11; 12; 13**Paragraphs:** Unnumbered judicial text**Source role:** judicial text

6.

Topic: Exact disposition and costs**Source url:** [Open cited source](#)**Pdf pages:** 13**Paragraphs:** Unnumbered judicial text**Source role:** judicial text

JUDICIAL AUTHORSHIP AND SEPARATE OPINIONS

R.M. Sahai, 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

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Judicial text begins at physical page 5/SCR 779 with R.M. Sahai J. and ends at physical page 13/SCR 787. Editorial headnote occupies pages 1–5; the Union Engineering Works quotation at pages 12–13 is distinguished from this case's facts and disposition.

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The judicial author is R.M. Sahai, J., verified at physical page 5; the leading judge in ingestion metadata is not the author.; The source does not print a stand-alone surplus amount; Rs 1,43,392 is only the arithmetic difference between the two stated sums and is not presented here as a separately adjudicated figure.; The Rs 13,455.75 amount on physical page 13 belongs to the quoted Union Engineering Works case, not Universal Radiators.; The quoted Tribunal passage at physical page 12 says even without paying for the goods, whereas the Court's narrative at pages 5–6 describes a payment of Rs 2,00,164. The note follows the Court's stated transaction and does not infer a credit, unpaid purchase or other reconciliation.; The reporter labels section 4 on the cover; judicial analysis expressly quotes and applies the then section 10(3), with sections 2(13) and 2(24) definitions. Earlier 1922-Act authorities are cited for principles, not the operative statute of this appeal.

STATUTORY SCOPE

No automatic Income-tax Act, 2025 mapping or present-law certification. These notes concern the historical statutory language applied in the stated proceedings.

LATER TREATMENT

Source checked 2026-10-04. Comprehensive later judicial treatment has not been verified. Any actually checked later authority is identified separately with its precise review scope.

IDENTIFIED SOURCE LINKS

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

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