

M/s. Orient Trading Company Limited v. Commissioner of Income Tax, Calcutta

Civil Appeal No. 353 (NT) of 1981

[1997] 1 SCR 446 | 1997-01-21

Whether a share dealer realised taxable trading profit when shares held as stock-in-trade were surrendered for more valuable shares of another company, although no cash sale occurred.

28(i) (business-profits classification; expressly indexed in headnote) | 14 (headnote classification)

Two-judge bench | S.C. Agrawal, J. | G.T. Nanavati, J.

Assessment years: 1963-64

Trading-share exchange, with source numerical conflicts

The Court upheld Rs 4,06,000 profit on this stock-in-trade exchange. The scan's isolated 14,5000 and 55,500 figures conflict with the repeated 14,500/55,100 facts and arithmetic. This is not a blanket capital-gains or share-substitution rule. Bounded Jindal (2026) passages were checked for direct reliance and realisability limits; comprehensive later treatment and present-law mapping remain unverified.

01 FACTS OF THE CASE

For AY 1963-64, with previous year ending 31 July 1962, the share-dealing company held 14,500 shares of Asiatic Oxygen & Acetylene Company Ltd. as stock-in-trade at cost Rs 1,45,000. It accepted an offer of 38 Asiatic Oxygen Ltd. equity shares for every 10 old shares and received 55,100 new shares. It carried the replacement shares at the old Rs 1,45,000 figure (physical page 3).

The Income Tax Officer referred to a quotation of Rs 10.12 per new share on 11 August 1962, eleven days after the previous year's end, but valued the 55,100 shares at Rs 10 each, or Rs 5,51,000. He assessed the Rs 4,06,000 difference as share-dealing profit. The appellate authorities rejected the no-profit contention. The Calcutta High Court's 25 August 1978 judgment answered the realisation question against the assessee; it declined to answer another question as not arising from the Tribunal's judgment. The assessee appealed (physical pages 2-4).

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

02 DISCUSSION BY THE HON'BLE COURT

The Court treated the exchange as realisation of the old trading security: the former holding ended and a distinct new holding of ascertainable money value took its place. Waiting until the new shares were sold for cash was unnecessary. The Court relied on the established realisation principles in the cited English authorities and Raja Mohan Raja Bahadur; those quoted precedents are not separate holdings about this assessee's assessment (physical pages 4–7).

British South Africa Co. involved exercise of an option, where the majority found no exchange closing the relevant transaction, and did not displace the exchange principles. Motors & General Stores concerned the word sale in section 10(2)(vii) of the 1922 Act and was inapplicable to the present business-profit issue. The case thus did not require every exchange to be characterised as a sale under that older provision (physical pages 7–8).

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

03 JUDICIAL DECISION

The Court dismissed the assessee's appeal and upheld treatment of Rs 4,06,000 as trading profit realised through the exchange, with no order as to costs. It separately dismissed the application seeking additional grounds and an additional reference question or direction to call one from the Tribunal (physical page 8).

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

04 OUTCOME / IN WHOSE FAVOUR

In whose favour: Revenue

Assessee appeal and additional-grounds application dismissed; no costs

Final on the referred realisation question and the Rs 4,06,000 addition in this assessment

The case concerns trading shares exchanged for other shares of measurable value; it does not decide a capital-gains exemption or every amalgamation, bonus issue, option exercise or unrealised market fluctuation.

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

05 AKHB REVIEW POINT

Identify the original holding's tax character and the event that ended it. For stock-in-trade, non-cash consideration can realise a business profit where a distinct replacement asset has real money value; continuing the old carrying amount does not by itself prevent taxation. Preserve evidence of the exchange terms and valuation date. The Court accepted the assessed amount on this record; it did not prescribe a general rule that face value always equals market value or that an eleven-day-later quotation is always the correct valuation evidence.

The official Jindal Equipment Leasing judgment of 9 January 2026 expressly relies on Orient Trading in paragraphs 18–19 and 29–31. In the amalgamation context it requires a real, presently realisable commercial benefit and definite value; it remitted factual questions including investment-versus-trading character and restrictions on realisation. This bounded later check supports reading Orient carefully rather than treating every share substitution as immediately taxable. It is not a full review of Jindal or of Orient's subsequent judicial history.

Keep this historical business-income holding separate from capital-gains provisions and transaction-specific exemptions. No present-law or Income-tax Act, 2025 crosswalk is certified.

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

PROPOSITION-SPECIFIC SOURCE PARAGRAPHS AND PDF PAGES

1.

Topic: Identity, source-indexed sections and appeal posture

Source url: [Open cited source](#)

Pdf pages: 1; 2

Paragraphs: Unnumbered judicial text

Source role: reported metadata and judicial text

2.

Topic: Stock-in-trade facts, ratio, valuation and printed share-count conflicts

Source url: [Open cited source](#)

Pdf pages: 3; 4

Paragraphs: Unnumbered judicial text

Source role: judicial text

3.

Topic: Exchange-realisation reasoning and cited authorities

Source url: [Open cited source](#)

Pdf pages: 4; 5; 6; 7; 8

Paragraphs: Unnumbered judicial text

Source role: judicial text

4.

Topic: Final addition, appeal result and additional-grounds application

Source url: [Open cited source](#)

Pdf pages: 8

Paragraphs: Unnumbered judicial text

Source role: judicial text

5.

Topic: Bounded later direct reliance and commercial-realisation test

Source url: [Open cited source](#)

Pdf pages: 36; 37; 38; 39; 40; 41; 42; 43

Paragraphs: Paragraphs 17–19, including embedded Orient excerpts

Source role: later judicial treatment

6.

Topic: Later qualified holding, factual remand and final disposal

Source url: [Open cited source](#)

Pdf pages: 59; 60; 61

Paragraphs: Paragraphs 29–34

Source role: later judicial treatment

JUDICIAL AUTHORSHIP AND SEPARATE OPINIONS

Judgment of the Court; individual author not identified in this report

ACT IDENTIFIED IN THE REVIEWED SOURCE

Income-tax Act, 1961

PREVIOUS YEAR IDENTIFIED IN THE JUDGMENT

Year ended 31 July 1962

SOURCE & VERIFICATION

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

Identified source rendition: 8 PDF pages; SHA-256

30340e5cdb617ecec6d2e1e816a9861a4f276d988e8bfd38bf0a4392d1680d07. Original bytes preserved.

Judicial text begins at physical page 2/SCR 447 after the judgment-introduction line and continues through physical page 8/SCR 453, including dismissal of the additional-grounds application. Headnote pages 1–2 distinguished.

[Open cited source rendition](#)

The authoritative factual sequence and arithmetic use 14,500 old shares and 55,100 new shares (38 for 10), Rs 1,45,000 cost, Rs 5,51,000 value and Rs 4,06,000 profit. Physical page 3 also prints an extra zero in 14,5000, and page 4 prints 55,500. The checked scan confirms these are source-level inconsistencies, not merely extraction errors; the reconciled figures follow the repeated facts and arithmetic.; Physical page 2's headnote cites Westminster Bank with year 1993; the judicial body at page 4 gives 1933. No independent bibliographic conclusion is inferred from the inconsistent headnote.; Sections 14 and 28(i) are expressly named in the editorial headnote, not quoted or separately analysed section-by-section in the judicial text. The decided issue is substantive taxation of the share dealer's trading realisation for AY 1963-64; the discussion of section 10(2)(vii) of the 1922 Act is a distinction from another case.; The previous year end and post-year-end quotation date are kept as printed; no exact exchange date or alternative market price is invented.; The individual judgment author is not identified. The scanned bench is S.C. Agrawal and G.T. Nanavati.; The bounded Jindal passages contain a different amalgamation factual setting and a remand; they do not establish this 1997 case's subsequent litigation history or certify universal present treatment.

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. Comprehensive later treatment remains not_verified. The official Jindal Equipment Leasing judgment of 9 January 2026 was checked only for the identified context, direct reliance, realisability qualification and operative passages; it was not read in full.

IDENTIFIED SOURCE LINKS

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

SHA-256: 30340e5cdb617ecec6d2e1e816a9861a4f276d988e8bfd38bf0a4392d1680d07

[official later judgment direct treatment - PDF pages: 61](#)

SHA-256: cccfd2d7a4c78e3cb82fda07fc81d83fce6ed32153ff15fa322539f7149c2b36

[Related note: M/s Jindal Equipment Leasing Consultancy Services Ltd. v. Commissioner of Income Tax Delhi - II, New Delhi](#)

AI DISCLOSURE

AI-assisted research checked against the identified source. Extraction, interpretation or omission errors remain possible. Source review does not mean independent approval by a practising professional. Verify every material statement against the complete original judgment.

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