

Commissioner of Income Tax, Karnataka v. M/s Bedi and Company Pvt. Ltd.

Civil Appeal No. 4122 of 1983

[1998] 1 SCR 932 | 1998-02-18

Whether the High Court impermissibly disturbed Tribunal facts when concluding, on the recorded circumstances, that the receipt was a loan rather than business income.

256(1) | 256(2) | 147(a) (history) | 144 (history)

Two-judge bench | Sujata V. Manohar, J. | Syed Shah Mohammed Quadri, J.

Assessment years: 1960-61

Mixed-question review on recorded evidence; no universal unsecured-loan rule

The High Court could characterise the recorded facts without inventing inconsistent findings. The particular documents supported a loan; insecurity or non-payment alone did not prove business income here. This is not a section 68 burden ruling or an invalidation of reopening. One numbered appeal was dismissed without costs despite the plural footer. Historical statutory context and unverified later treatment remain explicit.

01 FACTS OF THE CASE

The company received Rs 32,58,500 under a 15 November 1958 loan agreement with Parsons & Whittemore while promoting a paper mill. Three related agreements concerned finance, machinery and construction. Following its original AY 1960-61 assessment, the ITO reopened the matter in 1968 and made a section 144 assessment in 1970 treating the receipt as business income (physical page 3).

Both Tribunal members dismissed the assessee's appeal, but one viewed many circumstances as neutral or merely suspicious and relied on the limited record in the best-judgment assessment. The High Court considered the recorded facts and documents, including RBI permission and the foreign creditor's confirmation, and answered the reference for the assessee. Revenue argued that this was an impermissible new factual finding (physical pages 3–5).

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

02 DISCUSSION BY THE HON'BLE COURT

A challenge to a Tribunal finding as perverse differs from a mixed law-and-fact question requiring legal characterisation of established circumstances. The High Court could discuss those facts to decide loan versus income without making inconsistent new factual findings. The Tribunal had not identified material establishing the receipt as commission or another business receipt (physical pages 4–5).

Absence of security, non-repayment, non-payment of interest and contemporaneous related agreements did not, without further material, justify converting the apparent loan into business income. The financing documentation and creditor confirmation supported the loan character on this record. This was not a general exemption from proving the nature and source of every credit (physical page 5).

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

03 JUDICIAL DECISION

Revenue's single appeal was dismissed without costs. The High Court's assessee-favouring answer concerning the Rs 32,58,500 receipt stood. No remand or separate decision declaring the reopening invalid was made (physical page 5).

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

04 OUTCOME / IN WHOSE FAVOUR

In whose favour: Assessee

Revenue appeal dismissed; no costs

Final characterisation/reference-jurisdiction ruling on the recorded loan evidence

No general rule validating every unsecured or unpaid loan, no separate section 68 burden ruling, and no unrestricted High Court power to replace Tribunal facts.

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

05 AKHB REVIEW POINT

Separate the primary facts from the legal character attributed to them. A mixed reference permits evaluation of the legal consequence of recorded facts; it does not permit free substitution of a different factual record. Preserve the lending documents, purpose, permission and lender's confirmation rather than relying on a label alone.

The old assessment year does not remove the direct section 256 analysis in this judgment. Conversely, it supplies no independent present-day cash-credit, best-judgment or reopening rule. The Court decided the classification on the evidence before it, not every statutory condition that might arise in another loan case.

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

PROPOSITION-SPECIFIC SOURCE PARAGRAPHS AND PDF PAGES

1.

Topic: Identity, old year and actual later procedural history**Source url:** [Open cited source](#)**Pdf pages:** 1; 2; 3**Paragraphs:** Unnumbered judicial text**Source role:** reported metadata and judicial text

2.

Topic: Tribunal reasons and mixed-question distinction**Source url:** [Open cited source](#)**Pdf pages:** 3; 4**Paragraphs:** Unnumbered judicial text**Source role:** judicial text

3.

Topic: Loan documents, creditor confirmation, evidentiary limits and dismissal**Source url:** [Open cited source](#)**Pdf pages:** 4; 5**Paragraphs:** Unnumbered judicial text**Source role:** judicial text**JUDICIAL AUTHORSHIP AND SEPARATE OPINIONS**

Syed Shah Mohammed Quadri, J.

ACT IDENTIFIED IN THE REVIEWED SOURCE

Income-tax Act, 1961

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

Identified source rendition: 5 PDF pages; SHA-256

9452919fec3a52757714d35bf8d9f53ea1b46339b70cf16ff497bc3be4868165. Original bytes preserved.

Complete unnumbered judicial text physical pages 2–5/SCR 933–936; editorial summary distinguished. Direct 1961 Act reference/jurisdiction analysis despite the older assessment year.

[Open cited source rendition](#)

The case concerns AY 1960-61, but the judicial text expressly describes section 147(a)/144 later proceedings and a section 256(1) reference under the 1961 Act. The note does not treat it as a current-year assessment or invent a transitional holding.; The original accounting-year end is printed as 31 May 1959 for AY 1960-61. That source date is not silently changed.; The judicial ending dismisses one appeal; the editorial footer says Appeals dismissed. Only CA 4122/1983 is identified.; No section 68 analysis, interest-rate ruling, loan-forgiveness finding or reopening-validity ruling is supplied.; The Tribunal members' differing reasons accompanied a common result; this was not a divided Supreme Court decision.

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 subsequent judicial and statutory treatment has not been verified. Only the expressly identified bounded comparisons have been checked. No current-law or Income-tax Act, 2025 mapping is certified.

IDENTIFIED SOURCE LINKS

[reported judgment - PDF pages: 5](#)

SHA-256: 9452919fec3a52757714d35bf8d9f53ea1b46339b70cf16ff497bc3be4868165

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