

Commissioner of Income-tax, West Bengal-I, Calcutta v. United Provinces Electric Supply Company

Civil Appeal No. 6325 of 1995

[2000] 3 SCR 22 | 2000-04-17

Whether determined and accepted compensation attracted the historical section 41(2) balancing charge for AY 1965-66 despite pending proceedings for enhancement, within the limited question granted leave.

41(2) (historical) | 32 (historical definitions of moneys payable and sold) | 256(1) | 41(1) and 41(4) (analogies)

Two-judge bench | D.P. Wadhwa, J. | M.B. Shah, J.

Assessment years: 1965-66

Timing decided; computation reserved and printed amount discrepancy retained

Revenue succeeded because compensation already determined and accepted was taxable despite a claim for more. Asset-wise computation and the UP 1976 amendment were expressly left open. The stated Rs 1,29,35,557 charge differs by Rs 10 from subtraction of the printed components; do not silently recalculate the order. This is the historical section 41(2), not a universal receipt rule or present asset-regime certification. Comprehensive later treatment remains unverified.

01 FACTS OF THE CASE

The assessee generated and supplied electricity through undertakings at Allahabad and Lucknow. Uttar Pradesh compulsorily purchased them for the State Electricity Board under the Indian Electricity Act, 1910; possession passed on 17 September 1964. The source records cash payments of Rs 62,60,668 and Rs 41,35,398 and loan-liability adjustments, with aggregate compensation of Rs 3,35,84,552. The company accepted that amount without prejudice to its claim for more and sought arbitration; the text reports a subsequent stay allegation without deciding it (physical page 5).

For AY 1965-66, the previous year ending 31 March 1965, the AO took that aggregate as sale proceeds, printed WDV of Rs 2,06,48,985 and a balancing charge of Rs 1,29,35,557. AAC sustained the timing; the Tribunal and High Court held it premature until final compensation was settled. Leave was confined to the first referred question challenging that timing conclusion; the second question is not reproduced or decided here (pages 4-6).

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

02 DISCUSSION BY THE HON'BLE COURT

Under the quoted historical section 41(2), the capped excess over WDV was chargeable when moneys payable became due; the definitions included compensation and compulsory acquisition. Compensation determined by the authority and accepted by the assessee had accrued and was received. Pending enhancement arbitration did not erase that existing receipt or postpone all tax until an ultimate award (physical pages 6–10).

The Court rejected the argument that the capital origin of the receipt or possible later recoveries prevented the statutory business-income charge. It discussed sections 41(1) and 41(4) by analogy and said additional compensation could be taxed subsequently in accordance with the Act. It distinguished the cited timing decisions by their factual settings and approved the proposition that pending litigation does not itself undo already accrued, ascertainable income (pages 10–15).

Crucially, the Court did not decide the assessee's asset-by-asset computation objection or the effect of section 7A of the Electricity Act as amended by UP Act 14 of 1976. These were outside the referred question, and the assessee could raise them before the competent authority. No unrestricted approval of the AO's aggregate-asset method follows (pages 11–12).

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

03 JUDICIAL DECISION

Revenue's appeal was allowed, the High Court judgment and order were set aside, and the referred question was answered for Revenue: the Tribunal erred in holding the stated Rs 1,29,35,557 addition unjustified for AY 1965-66 merely on the ground of unfinished compensation proceedings. Each party was to bear its own costs. The express computation and UP-amendment reservations remain; the Court did not issue a quantified fresh assessment or decide the unreproduced second question (physical pages 12 and 15).

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

04 OUTCOME / IN WHOSE FAVOUR

In whose favour: Revenue on the limited accrual/timing question

Revenue appeal allowed; High Court set aside; first referred question answered for Revenue; respective costs

Final timing ruling, with identified factual/statutory contentions left open before the competent authority

Determined compensation was admitted and accepted here. Not a rule that every disputed claim or provisional deposit is immediately taxable, nor a decided approval of aggregate rather than asset-wise computation.

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

05 AKHB REVIEW POINT

Separate the admitted compensation already due from the disputed enhancement, and separate the timing of a charge from its measurement. Preserve the acquisition determination, acceptance terms, asset values and correct statutory version. The judgment's receipt language must be read with its express finding that the money had already become due and accrued, not as a general cash-basis rule for all business income.

The source's numerical discrepancy makes independent reconstruction essential: Rs 3,35,84,552 less Rs 2,06,48,985 is Rs 1,29,35,567, while the referred question and operative order print Rs 1,29,35,557. The note preserves the printed order rather than silently changing it. The checked 2011 compilation also shows that the old section 41(2) was omitted from 1 April 1988 and a later version inserted from 1 April 1998 with a section 32(1)(i) depreciation condition. Apply the governing asset/year regime separately; this historical judgment does not certify every later balancing-charge case.

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

PROPOSITION-SPECIFIC SOURCE PARAGRAPHS AND PDF PAGES

1.

Topic: Identity, narrow leave question, year and amount

Source url: [Open cited source](#)

Pdf pages: 1; 4

Paragraphs: Unnumbered judicial text

Source role: reported metadata and judicial text

2.

Topic: Acquisition date, compensation components, WDV and procedural history

Source url: [Open cited source](#)

Pdf pages: 5; 6

Paragraphs: Unnumbered judicial text

Source role: judicial text

3.

Topic: Historical section 41(2) text, definitions and accrual/receipt reasoning

Source url: [Open cited source](#)

Pdf pages: 6; 7; 8; 9; 10

Paragraphs: Unnumbered judicial text

Source role: judicial text

4.

Topic: Capital character, additional recoveries and computation objection

Source url: [Open cited source](#)

Pdf pages: 10; 11

Paragraphs: Unnumbered judicial text

Source role: judicial text

5.

Topic: Express asset-wise and UP-amendment reservations

Source url: [Open cited source](#)

Pdf pages: 12

Paragraphs: Unnumbered judicial text

Source role: judicial text

6.

Topic: Distinguished compensation cases and accepted accrual proposition

Source url: [Open cited source](#)

Pdf pages: 12; 13; 14; 15

Paragraphs: Unnumbered judicial text

Source role: judicial text

7.

Topic: Operative allowance and costs

Source url: [Open cited source](#)

Pdf pages: 15

Paragraphs: Unnumbered judicial text

Source role: judicial text

8.

Topic: Later section 41(2) statutory boundary

Source url: [Open cited source](#)

Pdf pages: 306

Paragraphs: Section 41(2), Explanation and footnote 68

Source role: bounded historical statutory text

JUDICIAL AUTHORSHIP AND SEPARATE OPINIONS

M.B. Shah, J.

ACT IDENTIFIED IN THE REVIEWED SOURCE

Income-tax Act, 1961

SOURCE & VERIFICATION

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

Identified source rendition: 15 PDF pages; SHA-256

fe8d8662b6043505cd506d7e075f2fff8f3c2910165e187ad1c61d86ae27cb6f. Original bytes preserved.

Complete unnumbered judicial text physical pages 4–15/SCR 25–36, including the historical statute and quoted precedents; preceding headnotes are distinguished. Only the first referred question was before the Supreme Court.

[Open cited source rendition](#)

The printed components on physical page 5 differ arithmetically by Rs 10 from the stated charge. The question and final order consistently state Rs 1,29,35,557; the note does not correct the court's disposition.; The compensation total includes liability adjustments; it is not the sum of the two specified cash payments alone. The description final compensation paid does not mean the enhancement controversy was finally adjudicated.; Only the first of two High Court questions was granted leave. No disposition of the second question or final arbitration outcome is invented.; Asset-wise calculation and the effect of UP Act 14 of 1976 are expressly reserved at physical page 12. They are not rejected on merits and no formal remand order is supplied.; Historical year/sale-price narratives concerning Akola, Okara, Central Indian and National Electric are facts of discussed authorities, not additional years decided for this assessee.; Some general receipt-language passages coexist with the specific statutory due/accrual analysis. The note retains the actual admitted-compensation setting instead of inventing a universal timing rule.

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: 15](#)

SHA-256: fe8d8662b6043505cd506d7e075f2fff8f3c2910165e187ad1c61d86ae27cb6f

[official department hosted historical statutory compilation - PDF pages: 1251](#)

SHA-256: 1ec6e4c38dc1d524d1d40b1fd35d13ac1336c8fc549cef2af1bf723a999c822b

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