

The K.C.P. Ltd. v. Commissioner of Income Tax, Bangalore

Civil Appeal No. 7652 of 1996

[2000] Supp. 2 SCR 302 | 2000-08-09

Whether excess sugar-sale price collected under an interim order was a trading receipt for the identified year, despite the dispute and later statutory fund payment.

2(24) (reporter classification) | 256(1)

Three-judge bench | S.P. Bharucha, J. | R.C. Lahoti, J. | N. Santosh Hegde, J.

Assessment years: 1972-73

Actual order conditions matter; later payment is a separate issue

The excess sale price was held a trading receipt on this record, which lacked the refund conditions present in the distinguished cases. A separate ledger did not change its character. This is not a universal rule for disputed receipts or security deposits, and no later deduction was awarded. The source conflicts on Rs 14,96,130/Rs 14,96,310 and 1974/1997; costs are unquantified. Comprehensive later treatment remains unverified.

01 FACTS OF THE CASE

The sugar manufacturer collected Rs 14,96,130 above the controlled levy price under an interim High Court order permitting the earlier sale price. Neither that order nor the final dismissal of the price writ required refund to the buyers, and the money remained with the company. The AO treated it as a trading receipt for AY 1972-73; the appellate authorities disagreed but the High Court answered the reference for Revenue (physical pages 3–4).

The later Levy Sugar Price Equalisation Fund Act required excess realisations to be credited to its fund. The company challenged that enactment and, in this tax appeal, submitted that it had transferred the amount to the fund in 1997. The Court did not decide the separate constitutional challenge or a later-year deduction (physical pages 5 and 7).

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

02 DISCUSSION BY THE HON'BLE COURT

The receipt was part of the price of sugar sold in the ordinary business. Its real nature was not altered by keeping it in a separately named account; the record did not establish the asserted account's precise character. On this interim order's wording, the pending price dispute did not attach the repayment conditions on which the assessee's cited authorities had depended (physical pages 6–8).

The Court distinguished cases where collection or withdrawal was expressly burdened by an ascertainable refund obligation or security condition. It therefore did not pronounce that all disputed receipts accrue absolutely. The later transfer to the statutory fund did not change the receipt's taxability in AY 1972-73. References to possible deduction on later payment in the cited cases were not a quantified allowance in this appeal (physical pages 7–8).

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

03 JUDICIAL DECISION

The assessee's appeal was dismissed with costs, sustaining the High Court's classification of the excess amount as a trading receipt. No costs figure, subsequent-year deduction or separate fund-litigation result was supplied (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 dismissed with costs

Final on the identified historical receipt classification

Depends on the actual interim-order conditions and nature of receipt; not a rule taxing every security deposit or every contested amount on collection.

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

05 AKHB REVIEW POINT

Read the collection authority and interim order, not just the ledger heading. Ask whether the amount is ordinary sale consideration, whether an enforceable repayment condition accompanies receipt, and what the assessee can actually retain. Keep the receipt year separate from a later statutory payment and from a later deduction claim.

The source's fund-year and amount differences are not a basis for reconstructing a tax computation. The separate constitutional appeal was described as pending at the time; its later status is not verified. The headnote's section 10/37 classification is not an independent exemption or deduction determination here.

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

PROPOSITION-SPECIFIC SOURCE PARAGRAPHS AND PDF PAGES

1.

Topic: Identity, year, amount and interim-order facts

Source url: [Open cited source](#)

Pdf pages: 1; 3; 4

Paragraphs: Unnumbered judicial text

Source role: reported metadata and judicial text

2.

Topic: Later fund provision and earlier authorities

Source url: [Open cited source](#)

Pdf pages: 5; 6

Paragraphs: Unnumbered judicial text

Source role: judicial text

3.

Topic: Receipt character, conditional-refund distinction and dismissal

Source url: [Open cited source](#)

Pdf pages: 7; 8

Paragraphs: Unnumbered judicial text

Source role: judicial text

4.

Topic: Printed fund-year and amount discrepancies

Source url: [Open cited source](#)

Pdf pages: 2; 5; 7

Paragraphs: Unnumbered judicial text

Source role: reported editorial and judicial comparison

JUDICIAL AUTHORSHIP AND SEPARATE OPINIONS

R.C. Lahoti, J.

ACT IDENTIFIED IN THE REVIEWED SOURCE

Income-tax Act, 1961

SOURCE & VERIFICATION

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

Identified source rendition: 8 PDF pages; SHA-256

6d64dd2dd6d15a212bd8f4402a2d0e3e6cd5e851c75d25a1595e5f0ea0b43ead. Original bytes preserved.

Complete unnumbered judicial text physical pages 3–8/SCR 304–309; headnotes, submissions and cited-case facts distinguished.

[Open cited source rendition](#)

The primary amount is repeatedly Rs 14,96,130, but page 5 prints Rs 14,96,310 for the fund obligation. The difference is not silently corrected.; The headnote on physical page 2 says fund transfer in 1974, while the judicial submission and conclusion on page 7 say 1997. The note follows the judicial passage and retains the discrepancy.; The source combines an interim order of 31 March 1970, writ dismissal on 18 February 1971 and the express AY 1972-73 receipt narrative. No independent accounting-period reconciliation is supplied.; The separate Act challenge's pendency is historical, not a claim that it remains pending today.; The amounts and payment conditions in Chowringhee, Punjab Distilling, Hindustan Housing and other discussed cases are not this assessee's facts.

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: 8](#)

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