

Commissioner of Income Tax, Nagpur v. Sutlej Cotton Mills Supply Agency Ltd.

Civil Appeal No. 1877 of 1970 — Revenue appeal from Madhya Pradesh High Court at Jabalpur judgment of 10 January 1968 in Misc. Civil Case No. 221 of 1962, arising from a section 66(1) reference concerning share-sale profit. and connected proceedings (full list below)

[1976] 1 SCR 126 | 1975-07-25

The Rs.2,13,150 share-sale profit was assessable as business profit on the Tribunal's supported findings. A single transaction can be an adventure in trade, but resale intention alone is not conclusive; the High Court could not replace the found facts with an unsupported sister-company assistance theory (SCR 131-134).

Indian Income-tax Act, 1922 | 1922 Act: 66(1)

4-judge bench | A.N. Ray, C.J. | K.K. Mathew, J. | V.R. Krishna Iyer, J. | S.M. Fazal Ali, J.

01 FACTS OF THE CASE

The company subscribed for 3,49,000 additional shares in Gwalior Rayon in 1951, then sold 1,58,200 at the disputed profit in AY 1956-57. The Tribunal upheld business treatment, considering earlier share dealings, purchase-and-sale resolutions, borrowing and retention of sale proceeds. On a section 66(1) reference, supplemented by a further statement of case, the Madhya Pradesh High Court treated the holding as investment, principally assuming an intention to assist a sister concern under common Birla control (SCR 128-130).

Source: [SCR 126-134; physical PDF pages 1-9](#)

02 DISCUSSION BY THE HON'BLE COURT

Mathew J. required an assessment of the whole transaction. Neither repetition nor continuity was necessary; equally, expectation of appreciation or even a dominant resale intention did not by itself convert investment into trading stock. Here earlier share-loss claims, commercial conduct, interest-bearing borrowed funds, absence of dividends and proceeds retained as cash supported the Tribunal's inference. Although no borrowing specifically earmarked for these shares was proved, liabilities exceeding assets supported its funding finding. The asserted need to repay creditors was rejected on the found facts (SCR 131-134).

Source: [SCR 126-134; physical PDF pages 1-9](#)

03 JUDICIAL DECISION

The High Court's sister-company assistance explanation had neither been the assessee's case before the tax authorities nor formed part of the stated findings. The Tribunal had applied the correct legal test to evidence supporting a commercial resale purpose. The Court therefore held that the High Court exceeded the proper limits of its advisory reference jurisdiction (SCR 133-134).

Source: [SCR 126-134; physical PDF pages 1-9](#)

04 OUTCOME / IN WHOSE FAVOUR

Revenue The Revenue's appeal was allowed with costs and the High Court judgment reversed. The Tribunal's treatment of Rs.2,13,150 as business profit stood. No remand or separate capital-gains charge was ordered (SCR 134). Substantive historical income-tax issue decided No current-law or comprehensive later-treatment certification.

Source: [SCR 126-134; physical PDF pages 1-9](#)

05 AKHB REVIEW POINT

Build the trading-or-investment conclusion from contemporaneous conduct and the complete factual record. Treat intention, borrowing and accounting entries as relevant circumstances, not independent automatic rules. Preserve the limited reference posture; later treatment and present statutory or 2025 equivalence remain unverified.

Source: [SCR 126-134; physical PDF pages 1-9](#)

APPEAL AND PROCEEDING NUMBERS

Civil Appeal No. 1877 of 1970 — Revenue appeal from Madhya Pradesh High Court at Jabalpur judgment of 10 January 1968 in Misc. Civil Case No. 221 of 1962, arising from a section 66(1) reference concerning share-sale profit.

ASSESSMENT YEARS AND LIMITS

Years: 1956-57

Qualification: Only years material to the issues described are listed; different claims may cover different years as stated in the facts.

REPORTED CITATION

Supplied SCR report citation; no machine-generated neutral citation substituted.

STATUTORY CONTEXT

The substantive issue is historical business-profit versus capital-realisation characterization; no operative 1961 provision or annual Finance Act scheme is identified in the report.

SOURCE & VERIFICATION

Original reported Supreme Court judgment

Unchanged supplied SCR report; catalog identifies a CC-BY-4.0 public eSCR mirror. Not represented as a separately fetched official signed PDF. Headnote SCR 126-127; jurisdiction/counsel and sole Mathew J. judgment begin SCR 128; reasons and appeal-allowed disposition end SCR 134. No adjacent judgment included.

Open cited source rendition

The running title abbreviates the respondent to Sutlej Cotton Mills Ltd.; the opening caption and reasons identify Sutlej Cotton Mills Supply Agency Ltd. This is distinct from the 1978 foreign-exchange loss appeal.

SCR 129 identifies the accounting year ending 31 March 1956; SCR 134 refers to a balance sheet as on 21 March 1956. The report's date difference is not silently reconciled. Some headnote case citations omit volumes supplied in the reasons, including Ajax Products; cited authorities are not independently certified.

STATUTORY SCOPE

Indian Income-tax Act, 1922. The historical operative enactment is identified. Other enactment references are source context only unless expressly identified as operative; no 2025 mapping is asserted.

LATER TREATMENT

Source checked 2026-10-09. Subsequent appeals, review proceedings, stays, reversals and later treatment have not been comprehensively checked. This is not a citator status certificate.

AI DISCLOSURE

AI-assisted research. The AKHB Review Point is editorial analysis, not part of the Court's judgment.

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