

CIT, Bombay City v. Bombay Burmah Trading Corporation, Bombay

Civil Appeal No. 1 of 1974 — Revenue appeal in common judgment covering three assessment years / Civil Appeals Nos. 1355-1356 of 1973 — Connected Revenue appeals in the same judgment

[1986] 3 SCR 269 | 1986-07-16

These long-term forest leases formed the company's capital profit-producing structure. Compensation for cancellation or sterilisation of its residual rights was therefore capital. The transfer of assets for logs was an exchange, not a money-price sale attracting the 1922 Act's section 10(2)(vii) balancing charge. The separate unargued Rs.9,493 stores-compensation question remained taxable (SCR 286-293).

Indian Income-tax Act, 1922 | 1922 Act: 10(2)(vii)

2-judge bench | Sabyasachi Mukharji, J. | K.N. Singh, J.

01 FACTS OF THE CASE

Decided 16 July 1986, Civil Appeals 1 of 1974 and 1355-1356 of 1973, from Bombay High Court's 22/24 April 1970 decision in ITR 111 of 1963. Sabyasachi Mukharji J., with K.N. Singh J., delivered one judgment covering assessment years 1950-51, 1951-52 and 1953-54. Burma's nationalisation ended the company's forest operations. Under the 10 June 1949 agreement it surrendered residual lease rights and assets and received 43,860 tons of logs (SCR 272-278).

Source: [SCR 269-293; physical PDF pages 1-25](#)

02 DISCUSSION BY THE HON'BLE COURT

The leases governed large-scale extraction, infrastructure and the conduct of the business; they were not ordinary purchases of timber stock. Capital character depends on the asset's role in the particular trade, rather than a universal test or payment size. Compensation logs were separately held in the forest-assets realisation account and their subsequent disposal did not convert the capital transaction into trading income. The Rs.5,58,188 decree concerning the earlier one-third-area takeover similarly compensated residual rights (SCR 283-292).

Source: [SCR 269-293; physical PDF pages 1-25](#)

03 JUDICIAL DECISION

These long-term forest leases formed the company's capital profit-producing structure. Compensation for cancellation or sterilisation of its residual rights was therefore capital. The transfer of assets for logs was an exchange, not a money-price sale attracting the 1922 Act's section 10(2)(vii) balancing charge. The separate unargued Rs.9,493 stores-compensation question remained taxable (SCR 286-293).

Source: [SCR 269-293; physical PDF pages 1-25](#)

04 OUTCOME / IN WHOSE FAVOUR

Assessee on Revenue appeals; separate Rs9493 taxable answer retained The Revenue's appeals were dismissed with costs. The capital-receipt and no-balancing-charge answers stood. For 1953-54, however, the second question concerning Rs.9,493 for stores had been answered affirmatively without argument for the assessee and remained so (SCR 292-293). Historical income-tax issue decided with the qualifications stated in this note No current-law or comprehensive later-treatment certification.

Source: [SCR 269-293; physical PDF pages 1-25](#)

05 AKHB REVIEW POINT

The operative balancing-charge provision is section 10(2)(vii), Indian Income-tax Act, 1922. Section 41(2), 1961 Act appears in the headnote; no current 1961/2025 equivalence or later treatment is asserted. Source: supplied SCR report, [1986] 3 SCR 269-293. The scan varies between Rs.5,78,896 and Rs.5,18,896 and between 1861/1862 for commencement. SCR 292's isolated stock-in-trade sentence apparently omits "not," contrary to its surrounding reasons. These defects are flagged without disturbing the separately taxable Rs.9,493 stores item.

Source: [SCR 269-293; physical PDF pages 1-25](#)

ASSESSMENT YEARS AND LIMITS

Years: 1950-51; 1951-52; 1953-54

Qualification: Only the assessment years material to the issue described are listed.

REPORTED CITATION

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

SOURCE & VERIFICATIONOriginal 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. Pinpoints identify the supplied reported judgment. The editorial headnote and counsel submissions are distinguished from the Court's reasons; specific source defects and issue limits are stated in the note.

Open cited source rendition

The Rs.9,493 stores-compensation question for assessment year 1953-54 remains answered affirmatively as taxable, without argument for the assessee. SCR 292 apparently omits "not" from a stock-in-trade sentence, contrary to the surrounding reasoning. Amount variants Rs.5,78,896/Rs.5,18,896 and the historical years 1861/1862 are not silently reconciled.

STATUTORY SCOPE

Indian Income-tax Act, 1922. The historical operative enactment is identified. Source-discussed 1961 provisions are contextual unless expressly stated; 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.

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