Commissioner of Income Tax v. Sambandham Spinning Mills Ltd. and Mallur Siddheswara Spinnings Mills Ltd.

TC(A) Nos. 368 to 372 of 2007

TCA368 to372/2007 (2007-04-18) | 2007-04-18

Historical machinery-replacement relief and interest deduction upheld; findings on own profits and employee hospital benefits were material.

31 | 36(1)(iii) | 260A

High Court of Judicature at Madras | Division Bench | Justice P.D. Dinakaran | Justice P.P.S. Janarthana Raja

Assessment years: 2000-01, 2001-02, 2002-03

Scope of this order

The challenged replacement-expenditure and interest deductions remained allowed.

01 FACTS OF THE CASE

Five Revenue appeals concerned two spinning companies. Replacement costs had been amortised over eight years in the books but claimed for tax in the year incurred. Interest was also disallowed on alleged diversion to SPMM Hospital/Trust; the appellate authorities found advances came from profits, not the borrowings.

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02 DISCUSSION BY THE HON'BLE COURT

The Court followed Janakiram Mills on replacement expenditure. Separately, it upheld concurrent findings on the source of hospital advances and found commercial expediency in concessional medical treatment for employees and their families, referring to S.A. Builders.

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03 JUDICIAL DECISION

All five tax appeals and connected miscellaneous petitions were dismissed.

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04 OUTCOME / IN WHOSE FAVOUR

The challenged replacement-expenditure and interest deductions remained allowed.

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05 EXPERT COMMENTS

Keep the historical replacement reasoning qualified — The machinery issue was resolved by the then Janakiram Mills approach. This note records that result without certifying the subsequent treatment of that authority or a present-day blanket deduction for replacement machinery.

Trace funds before inferring diversion — The concurrent finding was that advances came from profits while borrowings financed fixed assets. This factual basis is distinct from simply assuming that any profitable company can never divert borrowings.

Identify the business benefit rather than the relationship alone — The hospital arrangement benefited employees and families through concessional treatment. The Court's commercial-expediency conclusion rests on that nexus, not merely on the recipient being a sister concern or trust.

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SOURCE & VERIFICATION

Primary High Court order - verified local repository copy

Complete 9-page court PDF read for this correction.

Complete source text and every original page visually reviewed; identity and SHA-256 checked. AI-assisted source analysis.

Open cited source rendition

All 9 physical source pages read and visually inspected. SHA-256: e54a06b254602617fb909809e7abbf614ca896fbedc2ebf631d8e46832c0e934.

STATUTORY SCOPE

This note describes the historical provisions and authorities addressed by the supplied judgment. Subsequent statutory changes and judicial treatment have not been independently verified.

LATER TREATMENT

Source checked 2026-10-21. Subsequent judicial treatment has not been independently verified.

AI DISCLOSURE

AI-assisted research checked against the identified source. Extraction, interpretation or omission errors remain possible. Source review does not mean independent approval by a practising professional. Verify every material statement against the complete original judgment.

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