Assam Bengal Cement Co. Ltd. v. Commissioner of Income-tax, West Bengal

Civil Appeal 162 of 1952

[1955] 1 SCR 972 | 1954-11-11

Protection fees under a quarry lease: capital versus revenue expenditure

Income-tax Act 1922, section 10(2)(xv)

4-judge bench | Mehr Chand Mahajan C.J. | S. R. Das | Bhagwati | Venkatarama Ayyar

Historical statutory scope and outcome limits

Case-specific application to protective covenants under the 1938 lease; the Court declined any universal exhaustive formula. Historical statutory setting; no later-treatment or current-law clearance is claimed.

01 FACTS OF THE CASE

Under a twenty-year limestone quarry lease, the company paid annual protection fees of Rs. 5,000 and Rs. 35,000 to prevent competing cement use of limestone in specified areas. It sought deduction of Rs. 40,000 in each relevant accounting year.

Source: Primary report: SCR 975–977

02 DISCUSSION BY THE HON'BLE COURT

The Court synthesized capital/revenue tests: acquisition or extension of the profit-making structure differs from operating it; an enduring asset or advantage points to capital. Neither periodic payment nor payment from income changes the purpose and character of the acquisition. Enduring does not mean everlasting. The protective covenants enhanced the whole business asset over the lease term.

Source: Primary report: SCR 978–989

03 JUDICIAL DECISION

The protection fees were capital expenditure and not deductible under section 10(2)(xv). Appeal dismissed with costs.

Source: Primary report: SCR 989–991

04 OUTCOME / IN WHOSE FAVOUR

Revenue succeeded.

Source: Primary report: SCR 989–991

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05 AKHB REVIEW POINT

Identify the commercial advantage purchased and its duration before treating payment frequency as decisive. Here protection against competitors benefited the undertaking as a whole, rather than paying ordinary operating costs.

Source: Primary report: SCR 986–991

SOURCE & VERIFICATION

Supreme Court Reports primary scan — public eSCR mirror

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STATUTORY SCOPE

Historical predecessor legislation and the provisions expressly identified in this note. This is not a decision applying the Income-tax Act, 1961 or the Income-tax Act, 2025; verify any modern-law comparison independently.

LATER TREATMENT

Source checked 2026-10-23. Subsequent treatment and current-law applicability have not been comprehensively checked.

AI DISCLOSURE

This AKHB research note was prepared with AI assistance from an identified primary report. Independent human review is not represented.

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