

Gordon Woodroffe Leather Manufacturing Co. v. Commissioner of Income-tax, Madras

Civil Appeal No. 62 of 1961

[1962] Supp 2 SCR 211 | 1961-12-20

Historical business deduction: voluntary gratuity paid to a retiring director without scheme, practice or commercial-expectancy evidence.

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

5-judge bench; unanimous judgment delivered by J. L. Kapur, J. | B. P. Sinha, C.J. | J. L. Kapur, J. | M. Hidayatullah, J. | J. C. Shah, J. | J. R. Mudholkar, J.

Assessment years: 1950-51

Historical statutory setting

The case applies the repealed 1922 Act's general business-deduction provision; current statutory restrictions and employment-benefit rules were not checked.

Fact and procedural limits

Apply the holding only within the facts, statutory text and procedural posture described in the primary report.

No current-law clearance

Later judicial treatment and current statutory applicability have not been comprehensively checked; no current-law or citator clearance is represented.

01 FACTS OF THE CASE

The company paid Rs.40,000 to a retiring managing director for long and faithful service. There was no gratuity scheme, established practice or prior expectation, and the payment was recorded in the appropriation rather than profit-and-loss account (SCR pp.211-214; PDF pp.1-4).

Source: [Primary judgment: facts](#)

02 DISCUSSION BY THE HON'BLE COURT

A retirement payment may be deductible where a practice affects remuneration, an employee expects it, or commercial expediency links it to future business. Here the evidence showed a voluntary reward for past service, not a payment facilitating the business or made under a recurring scheme (SCR pp.214-217; PDF pp.4-7).

Source: [Primary judgment: discussion](#)

03 JUDICIAL DECISION

The Court held section 10(2)(xv) unsatisfied and dismissed the company's appeal with costs (SCR p.217; PDF p.7).

Source: [Primary judgment: decision](#)

04 OUTCOME / IN WHOSE FAVOUR

In favour of Revenue: the isolated voluntary gratuity was not deductible on the proved facts (SCR pp.216-217; PDF pp.6-7).

Source: [Primary judgment: outcome](#)

05 AKHB REVIEW POINT

AKHB analysis: document the scheme, employee expectation, remuneration effect and prospective business purpose when claiming discretionary retirement payments. Current employee-benefit and specific-disallowance provisions require separate checks (based on SCR pp.215-217; PDF pp.5-7).

Source: [Primary judgment: review point](#)

SOURCE & VERIFICATION

[Supreme Court Reports scan - public eSCR mirror](#)

Full 7-page SCR source asset read in page-preserving text and visually inspected; adjacent-report boundaries were checked.

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Exact source bytes, SHA-256 and seven-page count match catalogue asset S_1962_2_211_217; every page was read and visually inspected.

The source verifies the stated case identity, bench, statutory issue and operative order.

No exact source-hash, asset-ID, SCR-citation, docket or same-judgment match was found in the published corpus or reviewed archive.

STATUTORY SCOPE

The case applies the repealed 1922 Act's general business-deduction provision; current statutory restrictions and employment-benefit rules were not checked.

LATER TREATMENT

Source checked 2026-10-11. Later judicial treatment and current statutory applicability have not been comprehensively checked; no current-law or citator clearance is represented.

AI DISCLOSURE

This AKHB research note was prepared with AI assistance from the identified primary report and has not been represented as independently human-reviewed.

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