

The Commissioner of Income-tax v. The Mysore Sugar Co. Ltd.

Civil Appeal No. 435 of 1961

[1963] 2 SCR 976 | 1962-05-03

Capital or revenue loss: one-crop advances to cane growers, made to secure raw-material supply and later waived after drought, were current business expenditure rather than capital investment.

Indian Income-tax Act, 1922: sections 10(1), 10(2)(xi), 10(2)(xv) and 66A

Four-judge bench; unanimous judgment delivered by M. Hidayatullah, J. | S. K. Das, J. | A. K. Sarkar, J. | M. Hidayatullah, J. | Raghubar Dayal, J.

Assessment years: See the source-scope notes; no year inferred.

Historical statutory setting

The holding concerns section 10 of the repealed Indian Income-tax Act, 1922 and one-crop advances in the assessee's particular cane-procurement business.

No automatic deduction rule

The case distinguishes an advance-price trading loss from capital investment. It does not make every waived loan, supplier advance or agricultural advance deductible.

No current-law clearance

Later judicial treatment and correspondence with the Income-tax Acts of 1961 and 2025 have not been comprehensively checked.

01 FACTS OF THE CASE

Mysore Sugar purchased sugarcane for its factory. Under annual 'Oppige' arrangements for each crop, growers agreed to sell cane exclusively to the company at current market rates; the company supplied seedlings and fertiliser and advanced cash, with the advances and interim interest to be adjusted against the cane price. A drought in 1948-49 prevented operation of the mills and the growers could not grow or deliver cane. After a Mysore Government committee recommended ex gratia relief, the company waived Rs.2,87,422 in the account year ending 30 June 1952. The Income-tax Officer, Appellate Assistant Commissioner and Tribunal refused deduction and treated the loss as capital; the Mysore High Court held it to be deductible revenue expenditure.

Source: [Primary judgment: procurement arrangements, drought, waiver and prior proceedings](#)

02 DISCUSSION BY THE HON'BLE COURT

The Court explained that section 10(2) did not exhaust every deduction needed to determine true business profits. The controlling distinction was whether money was laid out to acquire an enduring business asset or was an outgoing in carrying on the business: loss in the former circumstance is capital, while loss in the latter is revenue. Applied here, the advances related to one crop and represented advance payment of the price needed to secure the company's raw-material supply. They were not an investment in the growers' agriculture. The resulting loss was therefore on the revenue side, just as if the company had paid for a ready crop that was never delivered.

Source: [Primary judgment: section 10 framework and capital-versus-revenue test](#); [Primary judgment: application to one-crop advances](#)

03 JUDICIAL DECISION

The Supreme Court held that the advances were current expenditure made in the company's cane-purchasing business, not capital investment. It affirmed the High Court, dismissed the Revenue's appeal and awarded costs against the Revenue.

Source: [Primary judgment: holding and operative dismissal](#)

04 OUTCOME / IN WHOSE FAVOUR

In favour of the assessee. The High Court's revenue-loss conclusion stood and the Revenue's appeal was finally dismissed. The holding is confined to the historical 1922 Act and advances shown on the facts to be advance crop price in the ordinary procurement business.

Source: [Primary judgment: outcome](#)

05 AKHB REVIEW POINT

AKHB analysis: for a supplier or grower advance that becomes unrecoverable, document whether it was tied to a specific procurement cycle, adjustable against purchase price and made to secure stock used in the ordinary business. Separately test whether the arrangement created an enduring asset, financing investment or independent lending relationship. Mysore Sugar supports revenue character where the money was functionally advance purchase price for one crop; it should not be applied mechanically to every waived advance. Confirm the governing statutory year and current provision before relying on this historical authority.

Source: [Primary judgment: basis for AKHB review point](#)

SOURCE & VERIFICATION

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

Full eleven-page SCR asset read and visually inspected; adjacent-case material on PDF pp.1 and 11 was separated from the Mysore Sugar headnote and judgment.

[Open cited source rendition](#)

Catalogue asset 1963_2_976_986: SHA-256

16220ebb1889659e04cacdbf4a4a24d7a1332a5670a68a2a7110eedfb34e71f9 and eleven-page count both matched the downloaded source.

The source verifies Civil Appeal No. 435 of 1961, decision date 3 May 1962, the four-member bench and Hidayatullah J. as author.

The report identifies the account year ending 30 June 1952 but does not print an assessment year; none is inferred.

No exact source-hash, asset-ID, citation, docket or same-judgment publication match was found.

STATUTORY SCOPE

The decision applies the Indian Income-tax Act, 1922 to an account year ending 30 June 1952. The report does not state the assessment year. No automatic equivalence with later deduction provisions under the Income-tax Act, 1961 or Income-tax Act, 2025 is asserted.

LATER TREATMENT

Source checked 2026-10-11. Later judicial treatment and present 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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General legal and tax research only; not legal or tax advice. Verify the original judgment, the governing historical statute and subsequent judicial treatment before reliance. The AKHB REVIEW POINT is editorial analysis, not the Court's holding, and no current-law clearance is claimed.