

Sitalpur Sugar Works Ltd. v. Commissioner of Income-tax, Bihar and Orissa

Civil Appeal No. 350 of 1962

[1964] 3 SCR 17 | 1963-04-10

Factory relocation expenditure: capital character and depreciation under the Income-tax Act, 1922

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

3-judge bench | S.K. Das, J. | A.K. Sarkar, J. | M. Hidayatullah, J.

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

Historical capital-revenue and depreciation provisions

Do not apply the result mechanically to modern section 37, depreciation-block rules, relocation costs or the 2025 Act. The applicable statute, asset facts and later authorities require separate verification.

01 FACTS OF THE CASE

The assessee manufactured sugar at Sitalpur. Because good-quality sugar cane was insufficient nearby and the site suffered flooding, it moved the factory to Garaul. During the account year it spent Rs. 3,19,766 dismantling the buildings and machinery, transporting the machinery and refitting it at the new site. It claimed the amount as revenue expenditure. The tax authorities rejected the claim, and the Patna High Court answered against the assessee both whether the expenditure was capital and whether depreciation was allowable on it (physical pages 2-3/SCR 18-19).

Source: [Physical pages 2-3 / SCR 18-19](#)

02 DISCUSSION BY THE HON'BLE COURT

The Court treated the relocation expenditure as capital. It was not incurred in carrying on the concern or earning the year's profits, but in placing the factory's profit-making apparatus in a better and more enduring position. Moving to the better site was a permanent improvement and an enduring business advantage (physical pages 3-4/SCR 19-20). The Court rejected the argument that capital character required acquisition of a material asset or legal right: expenditure may be capital when it secures an enduring advantage for the trade, and the character does not change merely because the move was intended to turn a losing concern into a profitable one (physical pages 4-7/SCR 20-23). On depreciation, section 10(2)(vi) did not allow depreciation on the relocation amount itself because no tangible depreciating asset was acquired by that expenditure. The separate possibility of depreciation on an actual improvement to capital assets was not the referred question, and no such claim was established (physical pages 7-8/SCR 23-24).

Source: [Physical pages 3-8 / SCR 19-24](#)

03 JUDICIAL DECISION

The Supreme Court upheld both answers given by the Patna High Court: the Rs. 3,19,766 relocation expenditure was capital rather than revenue, and depreciation was not allowable on that amount. The assessee's appeal was dismissed with costs (physical pages 7-8/SCR 23-24).

Source: [Physical pages 7-8 / SCR 23-24](#)

04 OUTCOME / IN WHOSE FAVOUR

In whose favour: Revenue. The appeal was finally dismissed with costs. The holding concerns the historical 1922 Act questions actually referred; it is not a present-law ruling that every relocation cost is capital or that no depreciation can ever arise from relocation-related improvements.

Source: [Physical page 8 / SCR 24](#)

05 AKHB REVIEW POINT

AKHB analysis: separate expenditure on the profit-making structure from expenditure on operating it. For a relocation, document whether the spend merely enables current operations, creates or improves an identifiable asset, or secures a lasting structural advantage. Sitalpur treated the move to a superior factory site as capital even without a newly acquired material asset, but it did not hold that the relocation amount itself automatically became a depreciable basis. Before relying on the case, test the modern statutory provision, ownership and block-of-assets rules, the precise component of expenditure and later authorities; the enduring-benefit formulation should not be used as a stand-alone universal test.

Source: [AKHB analysis based on physical pages 3-8 / SCR 19-24](#)

SOURCE & VERIFICATION

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

Complete eight-page SCR source read and every page image reviewed; one judgment only, printed SCR 17-24.

[Open cited source rendition](#)

The exact downloaded PDF matches the catalogue SHA-256 and eight-page count; all eight physical text pages and page images were reviewed.

The printed title is distorted as SITALI'UR in the heading, while the running head and reasons use Sitalpur. The normalized party name follows the running head and judicial text.

The source supplies no assessment year. None has been inferred.

No matching title, date, docket, reported citation, source hash or distinctive-fact record exists in the published case collection or source-disposition register.

STATUTORY SCOPE

The decision construes sections 10(2)(xv) and 10(2)(vi) of the Indian Income-tax Act, 1922. It does not automatically determine deductions or depreciation under the Income-tax Act, 1961 or the Income-tax Act, 2025.

LATER TREATMENT

Source checked 2026-10-11. The complete identified judgment has been checked. Comprehensive subsequent judicial treatment, amendments and current-law status have not been verified; this note is not a citator status certificate.

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