

Commissioner of Income Tax, Kerala v. Malayalam Plantation Ltd.

Civil Appeals Nos. 384 and 385 of 1963

[1964] 7 SCR 693 | 1964-04-10

Historical business-expenditure boundary: estate duty paid as statutory agent for nonresident shareholders was the company's expenditure but was not incurred in its capacity as trader.

Indian Income Tax Act, 1922: sections 10(2)(xv) and 66(1) | Estate Duty Act, 1953: sections 5, 21, 35, 53, 77 and 84

3-judge bench | K. Subba Rao, J. | J. C. Shah, J. | S. M. Sikri, J.

Assessment years: 1955-56, 1956-57

Wide phrase retains a boundary

The Court described 'for the purpose of the business' broadly, but required the expenditure to be incurred for carrying on the assessee's own business and in its capacity as trader.

Expenditure limb accepted

On the limited record the Court assumed the company could not recover the duty abroad and held that it was out of pocket. Disallowance rested on business purpose, not on a finding that no expenditure occurred.

Third-party statutory agency

The duty related to deceased shareholders' property. Exposure of business assets upon default did not transform that separate statutory obligation into a business expense.

01 FACTS OF THE CASE

Malayalam Plantation, a resident company incorporated outside India with most shareholders in the United Kingdom, paid estate duty under section 84 on shares of deceased members not domiciled in India and charged the payments to revenue for accounting years ending 31 March 1955 and 31 March 1956. The Income Tax Officer and Appellate Assistant Commissioner disallowed deduction; the Tribunal and Kerala High Court allowed it. Revenue's appeals asked whether the company incurred expenditure and whether it was wholly and exclusively for its business (SCR pp.693-696; PDF pp.1-4).

Source: [Primary judgment: facts](#)

02 DISCUSSION BY THE HON'BLE COURT

Section 84 made the company a statutory agent for duty on another person's property. Because the record did not establish a right of recovery in England and the Indian recovery provisions lacked the necessary reach or property interest, the Court assumed the company was out of pocket and treated the payment as expenditure (SCR pp.696-698; PDF pp.4-6). Reviewing English and Indian authorities, it explained that 'for the purpose of the business' is wider than earning profits and may cover administration, modernisation, preservation, asset protection, removal of business obstacles and qualifying statutory dues. The limit is capacity and purpose: the assessee must incur the expense in carrying on its own business as trader. A payment as agent for a third party falls outside that boundary. Here the shareholders' estate duty was unconnected with conducting the plantation business; possible recovery from business assets after default was only a consequence of nonpayment (SCR pp.698-705; PDF pp.6-13).

Source: [Primary judgment: discussion](#)

03 JUDICIAL DECISION

The Court allowed Revenue's appeals with one set of costs, answered the referred question in the negative and set aside the High Court's order. The estate-duty payments were not allowable under section 10(2)(xv) (SCR p.705; PDF p.13).

Source: [Primary judgment: decision](#)

04 OUTCOME / IN WHOSE FAVOUR

In favour of Revenue. The company had incurred expenditure, but did so as statutory agent for deceased shareholders rather than for carrying on its own business (SCR pp.697-705; PDF pp.5-13).

Source: [Primary judgment: outcome](#)

05 AKHB REVIEW POINT

AKHB analysis: separate three questions: whether the assessee was actually out of pocket, whose legal obligation it discharged, and the capacity and purpose in which it paid. A nexus to business assets or corporate presence does not alone establish business purpose. Use the judgment's wider commercial-expediency language together with its third-party-agency limit, and verify the statute governing the relevant year before applying either proposition (based on SCR pp.697-705; PDF pp.5-13).

Source: [Primary judgment: reviewPoint](#)

SOURCE & VERIFICATION

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

Full 13-page SCR report read and checked. The editorial headnote was distinguished from the judgment text and operative order.

[Open cited source rendition](#)

Exact source bytes, SHA-256 and 13-page count match catalogue asset 1964_7_693_705; the full extracted report and operative pages were reviewed.

The source verifies Civil Appeals Nos. 384 and 385 of 1963, the stated bench, issues, reasoning and operative result.

No published AKHB note or archived reviewed record with this source hash, case identity and operative decision was found.

STATUTORY SCOPE

The direct ruling concerns section 10(2)(xv) of the Indian Income Tax Act, 1922 and the then section 84 of the Estate Duty Act, 1953 for assessment years 1955-56 and 1956-57. It does not certify current business-deduction law, current estate-duty law or later statutory-agent provisions.

LATER TREATMENT

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

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