

Commissioner of Income Tax, Madras v. Mir Mohd. Ali, Bus Owner, Vellore

Civil Appeal No. 145 of 1963

[1964] 7 SCR 846 | 1964-04-24

Replacement diesel engines qualified as new machinery installed in buses for the historical initial and additional depreciation allowances; majority rejected a self-contained-business-unit requirement.

Indian Income Tax Act, 1922: section 10(2)(vi), second paragraph, and section 10(2)(via)

3-judge bench; majority 2:1 | K. Subba Rao, J. | J. C. Shah, J. | S. M. Sikri, J.

Assessment years: 1950-51

Majority and dissent differ

Subba Rao and Sikri JJ formed the majority; Shah J would have required machinery operating as a self-contained unit in the assessee's business.

New machinery and installation remained necessary

The majority treated both conditions as independent requirements; it did not allow the benefit for every repair or ordinary spare part.

01 FACTS OF THE CASE

For the year ending 31 March 1950, a Vellore bus operator replaced petrol engines in two buses with new diesel engines costing Rs. 18,544. Normal depreciation was allowed, but initial and additional depreciation was refused on the ground that an engine was merely part of a vehicle. The High Court corrected an accidental omission in the referred question to cover both relevant clauses and answered it for the assessee (SCR pp. 847-848; PDF pp. 2-3).

Source: [Primary judgment: facts](#)

02 DISCUSSION BY THE HON'BLE COURT

The majority gave machinery its ordinary meaning consistently across the connected depreciation provisions. A diesel engine was a mechanical contrivance qualifying as machinery even when used with another machine. Requirements of newness and installation did not redefine machinery as an independently usable business unit. Fixing an engine in a vehicle placed it in position for service and constituted installation (SCR pp. 850-853; PDF pp. 5-8). Shah J dissented: in his view the initial allowance required a self-contained unit used in this transport business, so replacement of a component was insufficient (SCR pp. 853-857; PDF pp. 8-12).

Source: [Primary judgment: discussion](#)

03 JUDICIAL DECISION

By the majority of Subba Rao and Sikri JJ, the Court upheld the affirmative answer allowing extra depreciation under sections 10(2)(vi) and 10(2)(via) and dismissed Revenue's appeal with costs. The formal order followed the majority notwithstanding Shah J's dissent (SCR pp. 853 and 857; PDF pp. 8 and 12).

Source: [Primary judgment: decision](#)

04 OUTCOME / IN WHOSE FAVOUR

In favour of the assessee by a two-to-one majority. New diesel engines fitted in replacement of the existing engines qualified under the historical allowances at issue (SCR pp. 853 and 857; PDF pp. 8 and 12).

Source: [Primary judgment: outcome](#)

05 AKHB REVIEW POINT

AKHB analysis: establish the acquired asset's technical identity, newness, ownership, installation and use, and distinguish the substantive definition of machinery from additional eligibility conditions. Cite the majority's reasoning expressly and check current depreciation conditions afresh before applying this component-replacement principle (analysis based on SCR pp. 850-853 and 857; PDF pp. 5-8 and 12).

Source: [Primary judgment: reviewPoint](#)

SOURCE & VERIFICATION

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

Full 12-page SCR report read and checked. The editorial headnote was distinguished from the judgment text and operative order.

[Open cited source rendition](#)

The source report contains 12 pages. Reporter headnotes and adjacent-case text are distinguished from the target judgment and operative order.

The primary source identifies Civil Appeal No. 145 of 1963, the stated bench, issues, reasoning and operative result.

STATUTORY SCOPE

The decision applies time-specific initial and additional depreciation under the 1922 Act. It does not decide eligibility under present section 32, current vehicle restrictions or block-of-assets rules.

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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