

Pandhyan Insurance Co. Ltd. v. Commissioner of Income Tax, Madras

Civil Appeal No. 816 of 1963

[1965] 1 SCR 367 | 1964-09-29

Insurance-business computation: depreciation written off under the statutory Schedule included notional depreciation and could not be revalued away by the Income Tax Officer.

Indian Income Tax Act, 1922: section 10(7) and Schedule rules 3(b) and 6 | Insurance Act, 1938

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

Assessment years: 1954-55

Special computation regime

Ordinary property-income reasoning did not override the mandatory insurance Schedule.

Depreciation was broader than physical decline

The Court accepted notional depreciation recorded in the regulated accounts.

01 FACTS OF THE CASE

The general insurer built a modern office property and wrote off Rs. 1,21,245 depreciation for calendar year 1953. It occupied one-fifth and let four-fifths, whose rent was exempt. The Income Tax Officer disallowed the let-out share; the first appellate authority disallowed the whole amount on the view that rule 3(b) required proof of actual fall in value.

Source: [Case identity, facts and procedural history](#)

02 DISCUSSION BY THE HON'BLE COURT

Reading Schedule rules 3(b) and 6 against the regulated insurance-accounting framework, the Court held that "expenditure" meant disbursement and did not include depreciation. Rule 3(b) addressed amounts written off or reserved for depreciation of assets, including notional depreciation. The provision followed the accounts and did not authorise the officer to substitute his own revaluation merely because the new building had not physically declined.

Source: [Court's reasoning and statutory analysis](#)

03 JUDICIAL DECISION

The Court allowed the appeal, answered the reference in the affirmative and awarded costs to the insurer.

Source: [Holding and operative order](#)

04 OUTCOME / IN WHOSE FAVOUR

In favour of the assessee. All the depreciation in issue, including the four-fifths connected with let space, was allowable under the special Schedule.

Source: [Operative result](#)

05 AKHB REVIEW POINT

AKHB analysis: first identify whether a business is governed by a special computation code. Reconcile tax adjustments to the prescribed regulatory accounts and distinguish cash expenditure, statutory reserves and depreciation before importing ordinary-business rules.

Source: [Primary reasoning underlying the AKHB analysis](#)

SOURCE & VERIFICATION

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

Full 8-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 8-page count match catalogue asset 1965_1_367_374; the full extracted report and operative pages were reviewed.

The source verifies Civil Appeal No. 816 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 ruling turns on the 1922 Act Schedule for insurance businesses and the then Insurance Act accounting framework. Present insurance-tax rules must be applied independently.

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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