

M/s. Gotan Lime Syndicate v. Commissioner of Income-tax, Delhi and Rajasthan

Civil Appeals Nos. 692 to 694 of 1964

[1966] 2 SCR 596 | 1965-11-15

Mining royalty and dead rent: annual payments related to limestone extracted for manufacture were revenue expenditure, not consideration for acquiring an enduring capital asset.

Indian Income-tax Act, 1922: sections 10 and 66(1) | Jodhpur Division Vindhyan Lime-stone Mining Leases Rules, 1954: rules 13, 18 and 19 | Rajasthan Minor Mineral Concession Rules, 1955: rule 31

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

Assessment years: 1954-55, 1955-56, 1956-57

Historical lease and tax regime

The result turns on the annual royalty/dead-rent structure and its relation to limestone obtained under historical rules. It does not make every mining-lease payment revenue expenditure or determine current deductibility.

01 FACTS OF THE CASE

Gotan Lime Syndicate manufactured lime from limestone. Its 1949 lease expired in July 1952 and was extended for short periods while Rajasthan devised a new leasing scheme. In October 1954 the State sanctioned 15 square miles of lime deposits and required Rs.96,000 yearly for the intervening period, calculated on the proposed dead-rent basis. Although no new lease was executed, the firm continued working the deposits under the relevant rules. It paid Rs.96,000 in each of AYs 1954-55, 1955-56 and 1956-57 and claimed deductions. The officer and first appellate authority treated the payment as capital; the Tribunal treated it as revenue, but the Rajasthan High Court restored the capital characterisation.

Source: [Lease history, Rs.96,000 annual payment and reference question: SCR pp.597-599 / PDF pp.2-4](#); [Historical mineral rules and assessment treatment: SCR pp.600-602 / PDF pp.5-7](#)

02 DISCUSSION BY THE HON'BLE COURT

The Court stressed that capital/revenue tests are not exhaustive and each arrangement must be judged on its facts. It assumed that the mining arrangement conferred an advantage lasting at least five years, but found the enduring-benefit formulation inconclusive because the payment was annual royalty or dead rent, not instalments of a settled capital sum. The firm's rights were also limited: it could win limestone and erect necessary premises but could not take other minerals and had to admit other mineral lessees. Most importantly, royalty related to the raw material won; dead rent had the same characteristic as an advance minimum for material to be extracted. Pingle and Abdul Kayoom were distinguished because the disputed payments there acquired enduring or speculative rights not related in the same way to material actually obtained. No evidence showed that any part of the Rs.96,000 was premium attributable to acquiring the lease.

Source: [Fact-sensitive capital/revenue analysis and limited mining rights: SCR pp.602-603 / PDF pp.7-8](#); [Royalty's relation to raw material and distinction from premium: SCR pp.604-605 / PDF pp.9-10](#)

03 JUDICIAL DECISION

The Court held that the annual royalty payment, including dead rent, related to the limestone deposits to be won and was not a direct payment for acquisition of an enduring asset. It treated Rs.96,000 in each relevant year as revenue expenditure, answered the referred question affirmatively in the assessee's favour and allowed all three appeals with one set of hearing costs.

Source: [Revenue character and operative allowance of appeals: SCR pp.605-606 / PDF pp.10-11](#)

04 OUTCOME / IN WHOSE FAVOUR

In favour of the assessee. The yearly Rs.96,000 payments for the three assessment years were revenue expenditure on these facts. The Court did not hold that every mining lease or every recurring payment is revenue; it relied on the absence of a capital premium and the payment's relationship to raw material.

Source: [Final answer and appeals allowed: SCR p.606 / PDF p.11](#)

05 AKHB REVIEW POINT

AKHB analysis: for a royalty or minimum-rent deduction, map each payment to what it actually secures. Preserve the lease, renewal correspondence, rate computation, production records and evidence of exclusivity. Separate consideration for acquiring a right or premium from payments economically linked to material won, and test lump-sum, instalment and minimum-guarantee features independently. Current advice requires the present Act, current mining framework, later authorities and the precise contract; Gotan Lime alone is not current-law clearance.

Source: [AKHB analysis based on the payment-purpose and raw-material nexus reasoning](#)

SOURCE & VERIFICATION

Supreme Court Reports scan - public eSCR mirror

Full 11-page SCR report read and visually checked. The editorial headnote on PDF p.1 was distinguished from Sikri J.'s judgment beginning on PDF p.2; the lease terms, statutory rules, competing capital/revenue authorities and operative result through PDF p.11 were reviewed.

Open cited source rendition

Exact source bytes, SHA-256 and 11-page count match catalogue asset 1966_2_596_606; every PDF page was read and visually checked.

The judicial text verifies Civil Appeals Nos. 692 to 694 of 1964, decision on 15 November 1965, the three-member bench and AYs 1954-55 to 1956-57.

No Gotan Lime party/decision record was found in content/supreme-court-cases.json or the reviewed-release archive; later catalogue references to Gotan Lime are citations, not duplicate publications.

STATUTORY SCOPE

This decision applies the repealed Indian Income-tax Act, 1922 and historical Rajasthan mineral-concession arrangements. It does not independently establish the treatment of a royalty, lease premium or mining payment under the current Income-tax Act, current mining law or materially different contractual terms.

LATER TREATMENT

Source checked 2026-10-10. Later judicial treatment, current-law royalty provisions and the effect of materially different lease structures have not been comprehensively checked; no citator or current-law clearance is represented.

AI DISCLOSURE

AI-assisted research. The AKHB Review Point is editorial analysis, not part of the Court's judgment.

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