

Commissioner of Income-tax, Bombay v. Dharampur Leather Cloth Co. Ltd., Bombay

Civil Appeal No. 956 of 1964

[1966] 2 SCR 859 | 1965-12-03

Depreciation: no notional deduction from cost for statutory exemption years.

Indian Income-tax Act, 1922: sections 10(5)(b) and 60A | Merged States (Taxation Concessions) Order, 1949: paragraph 15 | Taxation Laws (Merged States) (Removal of Difficulties) (Amendment) Order, 1962

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

Assessment years: 1955-56

Assessment-year discrepancy in report

The judgment body identifies AY 1955-56 and repeats that year in its facts; the editorial headnote states 1956-57. This note follows the Court's judgment body, not the headnote.

01 FACTS OF THE CASE

The company obtained a pre-merger concession from Dharampur's ruler, then a Central Government exemption under paragraph 15 after merger. On its first assessment described in the judgment as AY 1955-56, it sought depreciation using original cost because none had previously been actually allowed. Revenue instead deducted hypothetical depreciation for exempt years. The High Court upheld the company's claim.

Source: [SCR pp. 860-862](#) / [PDF pp. 2-4](#)

02 DISCUSSION BY THE HON'BLE COURT

Following *Straw Products*, the Court held that actually allowed depreciation did not include a notional allowance. It also rejected treating the post-merger concession as continuation of the ruler's agreement: the Government's exemption was under paragraph 15, issued pursuant to statutory power. The 1962 amendment concerning the former agreement therefore did not govern these facts.

Source: [SCR p. 862](#) / [PDF p. 4](#)

03 JUDICIAL DECISION

The referred question whether depreciation was allowable on original cost was answered affirmatively. Revenue's appeal failed and was dismissed with costs.

Source: [SCR p. 862](#) / [PDF p. 4](#)

04 OUTCOME / IN WHOSE FAVOUR

In favour of the company on the historical written-down-value computation. The Court did not declare every depreciation deeming provision invalid or dispense with later statutory rules.

Source: [SCR p. 862 / PDF p. 4](#)

05 AKHB REVIEW POINT

AKHB analysis: identify the legal source of each exemption and establish whether depreciation was actually allowed, rather than assuming allowance during an exempt period. Maintain original-cost and assessment records. This merger-era holding cannot replace examination of any express deeming rule governing the relevant present transaction.

Source: [AKHB analysis based on SCR pp. 860-862 / PDF pp. 2-4](#)

SOURCE & VERIFICATION

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STATUTORY SCOPE

This decision applies the Indian Income-tax Act, 1922 to the stated historical assessment years. Current statutory applicability and any Income-tax Act, 1961 or 2025 crosswalk are not determined.

LATER TREATMENT

Source checked 2026-10-10. Comprehensive subsequent treatment has not been verified; no current citator clearance is represented.

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