

India Cements Ltd., Madras v. Commissioner of Income-tax, Madras

Civil Appeal No. 1106 of 1964

[1966] 2 SCR 944 | 1965-12-08

Business expenditure: costs of obtaining a genuine loan were revenue expenditure.

Indian Income-tax Act, 1922: sections 10(2)(iii), 10(2)(xv) and 66

3-judge bench; unanimous judgment delivered by S. M. Sikri, J. | K. Subba Rao, J. | J. C. Shah, J. | S. M. Sikri, J.

Assessment years: 1950-51

Historical statutory setting

The 1922 Act holding is not automatic clearance under present deduction, amortisation, capitalisation or financial-instrument provisions.

Fact, opinion and procedural limits

Apply the holding only within the facts, statutory text, opinion structure and procedural posture described in the primary report.

No current-law clearance

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

01 FACTS OF THE CASE

India Cements borrowed Rs.40 lakh from IFCI against fixed assets and incurred Rs.84,633 in stamp, registration, drafting and legal charges. Tax authorities treated the amount as capital; the Tribunal allowed it and the High Court disallowed it (SCR pp.945-948; PDF pp.2-5).

Source: [Primary judgment: facts](#)

02 DISCUSSION BY THE HON'BLE COURT

A loan is a repayable liability, not an enduring asset. Reasonable expenditure to obtain the use of money is commercially analogous to interest and does not become capital because borrowing increases funds, is secured or finances fixed assets. Debt-raising was distinguished from share-capital raising (SCR pp.949-958; PDF pp.6-15).

Source: [Primary judgment: discussion](#)

03 JUDICIAL DECISION

The appeal was allowed, the High Court judgment set aside, the question answered for the assessee and costs awarded in both courts (SCR p.958; PDF p.15).

Source: [Primary judgment: decision](#)

04 OUTCOME / IN WHOSE FAVOUR

In favour of India Cements on final merits (SCR p.958; PDF p.15).

Source: [Primary judgment: outcome](#)

05 AKHB REVIEW POINT

AKHB analysis: distinguish debt-raising costs from equity-issue and direct asset-acquisition costs. Preserve loan documentation and transaction-level evidence; the stated use of borrowed funds did not control the historical result (based on SCR pp.950-958; PDF pp.7-15).

Source: [Primary judgment: review point](#)

SOURCE & VERIFICATION

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

Full 15-page SCR source asset read in page-preserving text and visually inspected; adjacent-report boundaries were checked.

[Open cited source rendition](#)

Catalogue source 1966_2_944_958: SHA-256

00ffbc494c4b706d18f54cf602565173cdda598f029652964e8c4596a6678c5a, 15 pages, read and visually inspected in full.

The published original preserves the exact catalogue bytes and verified hash.

The source verifies identity, bench, provisions, material opinion split and operative order.

No exact source-hash, asset-ID, SCR-citation, docket or same-judgment publication match was found.

STATUTORY SCOPE

The 1922 Act holding is not automatic clearance under present deduction, amortisation, capitalisation or financial-instrument provisions.

LATER TREATMENT

Source checked 2026-10-11. Later judicial treatment and current statutory applicability have not been comprehensively checked; no current-law or citator clearance is represented.

AI DISCLOSURE

This AKHB research note was prepared with AI assistance from the identified primary report and has not been represented as independently human-reviewed.

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