

Commissioner of Income-tax, Punjab, Jammu & Kashmir & Himachal Pradesh, Patiala v. Alps Theatre, Patiala

Civil Appeal No. 26 of 1966

[1967] 3 SCR 181 | 1967-03-15

Historical depreciation: building did not include the underlying land, whose cost was excluded from the depreciable base.

Indian Income-tax Act, 1922: sections 10(2)(iv), 10(2)(v), 10(2)(vi), 10(2)(vi-a), 10(2)(vii) and 34(1)(b) | Indian Income-tax Rules, 1922: Rule 8 and depreciation schedule

3-judge bench | J. C. Shah, J. | S. M. Sikri, J. | V. Ramaswami, J.

Assessment years: See the source-scope notes; no year inferred.

Historical depreciation schedule

The Court construed the 1922 Act and contemporaneous Rule 8. Current asset-block rules, land/building allocation and reopening limits require independent verification.

01 FACTS OF THE CASE

Alps Theatre exhibited films. In reopening under section 34(1)(b), the Income-tax Officer found that depreciation had originally been allowed on Rs.85,091 shown as building cost, including Rs.12,000 for land. He recomputed depreciation after excluding land. The first appellate authority upheld that treatment, but the Tribunal treated building as necessarily including its site and allowed depreciation on both. The Punjab High Court answered the reference for the assessee, considering the building a unit that should not be split.

Source: [Reassessment facts and reference: SCR pp.181-183 / PDF pp.1-3](#)

02 DISCUSSION BY THE HON'BLE COURT

The Court read building consistently across section 10(2)'s insurance, repairs and depreciation clauses. Destruction or repair of a site was not contemplated, showing that building meant the structure rather than land. Depreciation addressed wear, deterioration or obsolescence, which did not apply to land in that sense. Rule 8 varied rates according to structural quality; including land would implausibly make land depreciate faster beneath lower-class buildings. Allowing land depreciation would also distort the business's true income. A municipal-rating exemption decision using building to include its site arose in a different context and was distinguished.

Source: [Meaning of building, depreciation and Rule 8: SCR pp.183-185 / PDF pp.3-5](#)

03 JUDICIAL DECISION

The Court allowed Revenue's appeal, set aside the High Court judgment and answered the reference in the negative against the assessee: the land cost was not depreciable with the building. No costs were ordered.

Source: [Operative answer: SCR p.185 / PDF p.5](#)

04 OUTCOME / IN WHOSE FAVOUR

In favour of Revenue. The cinema site's Rs.12,000 cost was excluded from the historical depreciable building base. The Court did not decide a present block-of-assets allocation or valuation method.

Source: [Outcome: SCR p.185 / PDF p.5](#)

05 AKHB REVIEW POINT

AKHB analysis: segregate land and structure cost in acquisition documents and valuation workings before computing depreciation. Test each asset component against the governing schedule and functional character rather than relying only on a composite purchase description. For current years, verify applicable block rules and treatment of inseparable rights independently.

Source: [AKHB analysis based on the structure/site distinction](#)

SOURCE & VERIFICATION

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

Full 5-page SCR report read; editorial headnote on PDF p.1 was separated from the unnumbered judicial text beginning on PDF p.1.

[Open cited source rendition](#)

Exact source bytes and 5-page count match catalogue asset 1967_3_181_185.

The report identifies the recomputation order dated 22 February 1959 but does not print the assessment year; none is inferred.

The catalogue's retrospective 1967INSC64 identifier is not printed in the report and is not independently certified here.

STATUTORY SCOPE

This decision interprets the 1922 Act and Rule 8 schedule. It does not certify the current depreciation block, land allocation or reassessment provisions.

LATER TREATMENT

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

AI DISCLOSURE

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

PROFESSIONAL DISCLAIMER

AI-assisted legal research note for general information and professional research. It is not legal or tax advice. Verify the original judgment, applicable statutory version and subsequent judicial treatment before relying on it. The AKHB Review Point is editorial analysis, not part of the Court's judgment.