

Travancore-Cochin Chemicals (P.) Ltd. v. Commissioner of Wealth-tax, Kerala

Civil Appeals Nos. 405 to 407 of 1966

[1967] 3 SCR 448 | 1967-04-06

Historical industrial-company wealth-tax exemption: a company was 'established' when put into a shape ready to function as its manufacturing organisation, not on incorporation or only after a profitable year.

Wealth-tax Act, 1957: sections 5(1)(xxi), 27(1) and 45(d), including the proviso | Companies Act, 1956: section 25, referred to in section 45(f) for textual contrast

3-judge bench; unanimous judgment delivered by S. M. Sikri, J. | J. C. Shah, J. | S. M. Sikri, J. | V. Ramaswami, J.

Assessment years: 1957-58, 1958-59, 1959-60

Establishment was distinct from incorporation

The company was incorporated on 8 November 1951, but was not 'established' for section 45(d) merely by registration. Readiness to function as the manufacturing organisation, reached in December 1953 or on commencement of production on 1 January 1954, controlled.

Commencement and establishment were closely bounded here

The Court accepted December 1953 or 1 January 1954 without choosing between them because either date led to the same first assessment year. The judgment does not prescribe one universal operational test for every incentive provision.

A loss year still counted

The Tribunal had reasoned that the first loss year did not start the five-year period. The Court instead counted assessment year 1954-55 as the first year after establishment; profitability was not a condition for the clock.

The result was year-specific and mixed

The assessee succeeded for 1957-58 and 1958-59 but failed for 1959-60. 'Appeal allowed in part' must not be described as full exemption for all three years.

Printed year anomaly preserved

The question reproduced at SCR page 449/PDF page 2 prints '1939-60', while the headnote, procedural history and operative order consistently identify the third year as 1959-60. This note follows the internally consistent 1959-60 identity and does not silently treat the isolated printing as a separate year.

Catalogue understates the connected appeals

The catalogue lists Civil Appeal No.405 of 1966, while the signed report identifies Civil Appeals Nos.405 to 407 of 1966. The note follows the report.

01 FACTS OF THE CASE

Travancore-Cochin Chemicals (P.) Ltd. was formed and registered on 8 November 1951 after a partnership formed in 1949 to establish a caustic-soda factory could not obtain sufficient finance and the Travancore Government subscribed substantial share capital. The company took over partly erected plant, machinery, buildings, materials, book debts and liabilities. Factory construction was completed in December 1953, production began on 1 January 1954, and the first accounts closed on 31 March 1954 with a loss of Rs.16,04,212. For assessment years 1957-58 to 1959-60, the Wealth-tax Officer and first appellate authority treated incorporation in November 1951 as establishment and denied the section 45(d) exemption after 1956-57. The Tribunal allowed the company's appeals, but the Kerala High Court answered Revenue's reference against it (SCR pp.449-451; PDF pp.2-4).

Source: [Primary judgment: facts](#)

02 DISCUSSION BY THE HON'BLE COURT

Section 45 used different words deliberately: clauses (c) and (d) spoke of a company 'established', clause (d) separately used 'formed', and clause (f) used 'registered'. Incorporation or registration could not therefore be equated with establishment. Following Ramaraju Surgical Cotton Mills and the 'set up' distinction, the Court held that establishment occurred when the organisation had been put into a shape ready to function, not while preliminary operations for establishment were continuing. The exclusion in clause (d) for splitting up, reconstruction or transfer of used assets also showed that incorporation alone could not control (SCR pp.451-453; PDF pp.4-6). On the proved facts the company was established in December 1953 or on 1 January 1954. In either event, assessment year 1954-55 was the first of five successive years, followed by 1955-56 through 1958-59. The Tribunal's alternative view that a loss postponed the start of assessment was not adopted (SCR pp.451, 453; PDF pp.4, 6).

Source: [Primary judgment: discussion](#)

03 JUDICIAL DECISION

The Court held that exemption had been wrongly withheld for assessment years 1957-58 and 1958-59 but rightly refused for 1959-60. It allowed Civil Appeals Nos.405 to 407 of 1966 in part and made no order as to costs (SCR p.453; PDF p.6).

Source: [Primary judgment: decision](#)

04 OUTCOME / IN WHOSE FAVOUR

Mixed. Travancore-Cochin Chemicals obtained exemption for two disputed years; Revenue prevailed for 1959-60 because the five-year statutory period ended with assessment year 1958-59 (SCR p.453; PDF p.6).

Source: [Primary judgment: outcome](#)

05 AKHB REVIEW POINT

AKHB analysis: for an incentive period keyed to when an undertaking or company is 'established' or 'set up', separate incorporation, preparatory operations, operational readiness, actual production and profitability. Build a dated evidence matrix for plant readiness, trial or commercial production, staffing and first accounts, then apply the exact statutory trigger rather than importing corporate-registration dates. A loss need not defer a period unless the provision says so. Current incentives use different language and conditions, so this historical wealth-tax result is not a present-law eligibility opinion (based on SCR pp.451-453; PDF pp.4-6).

Source: [Primary judgment: reviewPoint](#)

SOURCE & VERIFICATION

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

Full 6-page SCR report read and checked. The editorial headnote and adjacent-report boundary text were distinguished from the judicial opinion and operative order.

[Open cited source rendition](#)

Exact source bytes, SHA-256 and 6-page count match catalogue asset 1967_3_448_453; every page was reviewed.

The source verifies Civil Appeals Nos. 405 to 407 of 1966, the stated bench, issues, reasoning and operative result.

No published or archived standalone AKHB note with this source hash, case identity and operative decision was found.

STATUTORY SCOPE

The ruling construes the five-year industrial-company exemption in section 45(d) of the Wealth-tax Act, 1957 and draws on the then-existing section 5(1)(xxi). It does not determine present start-up, manufacturing, incorporation, income-tax, wealth-tax or other incentive consequences under later statutes; no current-law or comprehensive later-treatment clearance was undertaken.

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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General legal and tax research only; not legal or tax advice. Verify the original judgment, the governing historical statutes and subsequent judicial treatment before reliance. The AKHB REVIEW POINT is editorial analysis, not the Court's holding, and no current-law clearance is claimed.