

M. A. Jabbar v. Commissioner of Income-tax, Andhra Pradesh, Hyderabad

Civil Appeals Nos. 2514 and 2515 of 1966

[1968] 2 SCR 413 | 1967-11-23

Capital versus revenue expenditure: the price of an eleven-month lease permitting removal of loose surface sand for the assessee's supply business was deductible revenue expenditure on the binding facts.

Indian Income-tax Act, 1922: business-income deduction principles applied in the section 66 reference framework; the report does not identify a specific deduction subsection in the operative reasoning

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

Assessment years: 1955-56, 1956-57

Interest in land was not decisive

The Court accepted that the lease conveyed an interest in land. Revenue treatment followed from the object and nature of the payment on the binding facts, not from a finding that no leasehold interest existed.

Loose surface sand and eleven-month term were central

The Tribunal-bound finding was that the sand lay loose on the surface and required no excavation or skilful extraction. The short term and stock-in-trade purpose materially distinguished acquisition of an enduring source or asset.

No universal short-lease rule

The Court said expenditure character depends on the special facts of each case and distinguished the reserved-source arrangement in Abdul Kayoom. The result should not be generalized to every short mineral or quarry lease.

Signed report contains two connected appeals

The catalogue label mentions Civil Appeal No. 2514 of 1966, but the signed report states Civil Appeals Nos. 2514 and 2515 of 1966. The note follows the report while preserving this catalogue discrepancy.

01 FACTS OF THE CASE

M. A. Jabbar carried on a lime-and-sand supply business. Under a lease deed dated 1 February 1954 he paid the Hyderabad Government Rs.82,500 for an eleven-month term ending 31 December 1954. He claimed Rs.56,100 in assessment year 1955-56 and Rs.26,400 in assessment year 1956-57 as revenue expenditure. The officer treated the payment as the price of a capital quarrying right. After personal investigation, the first appellate authority found that the contract concerned loose sand on the river-bed surface, involved no excavation or skilful extraction, and supplied stock-in-trade. The Tribunal affirmed; the Andhra Pradesh High Court reversed and answered the reference against the assessee (SCR pp.414-415; PDF pp.2-3).

Source: [Primary judgment: facts](#)

02 DISCUSSION BY THE HON'BLE COURT

The deed's exclusive right to enter and occupy the land and its use of the word 'sublet' for newly discovered minerals showed that an interest in land was conveyed. That did not answer the capital-versus-revenue question: the decisive inquiry was the lease's business object and the nature of the payment. Rent can remain revenue expenditure even though the tenant acquires an interest in premises (SCR p.416; PDF p.4). The Tribunal had accepted the factual finding that the sand lay loose on the surface and required no excavation. Because no no-evidence question was referred, the High Court exceeded its reference jurisdiction by reassessing that finding. On that binding premise, the eleven-month right procured sand as stock-in-trade and no fixed or enduring asset (SCR pp.416-417; PDF pp.4-5). Goran Lime Syndicate and the commercial-trading formulation in Bombay Steam Navigation supported revenue treatment; Abdul Kayoom was distinguished because it concerned reservation of a source requiring operations to obtain chanks rather than removal of loose surface material (SCR pp.418-420; PDF pp.6-8).

Source: [Primary judgment: discussion](#)

03 JUDICIAL DECISION

The Court allowed both appeals with costs, set aside the High Court's order and answered the referred question in the affirmative: the Rs.56,100 and Rs.26,400 payments were expenditure of a revenue nature on the facts found (SCR p.420; PDF p.8).

Source: [Primary judgment: decision](#)

04 OUTCOME / IN WHOSE FAVOUR

In favour of M. A. Jabbar/the assessee-appellant. The sand-lease payments for assessment years 1955-56 and 1956-57 were deductible as revenue expenditure on the binding factual record (SCR pp.419-420; PDF pp.7-8).

Source: [Primary judgment: outcome](#)

05 AKHB REVIEW POINT

AKHB analysis: identify what the taxpayer actually obtained before applying an enduring-benefit label—ownership or reservation of a source, an enduring extraction infrastructure, or a short right to remove already available trading material. Also preserve the reference court's limits: where the Tribunal's factual finding is unchallenged by a properly framed no-evidence question, tax characterisation must proceed on that premise. This historical result is not a shortcut for present-law mining or quarry deductions; lease duration, extraction work, asset rights and payment structure require fresh analysis (based on SCR pp.416-420; PDF pp.4-8).

Source: [Primary judgment: reviewPoint](#)

SOURCE & VERIFICATION

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

Full 8-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 8-page count match catalogue asset 1968_2_413_420; every page was reviewed.

The source verifies Civil Appeals Nos. 2514 and 2515 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 decision concerns expenditure characterisation under the repealed Indian Income-tax Act, 1922 on a tightly bounded 1954 sand-lease record. It does not itself determine deduction under the Income-tax Act, 1961 or the treatment of a materially different mining, quarrying or extraction arrangement. No current-law or 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 statute 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.