

Lakshmi Sugar Mills Co. v. Commissioner of Income Tax, New Delhi

Civil Appeal No. 1928 of 1968

[1972] 1 SCR 465 | 1971-08-27

Contributions to development of Government roads facilitating sugarcane transport: revenue expenditure.

Indian Income-tax Act, 1922: business expenditure capital/revenue distinction; section 10(2)(xv) discussed through precedent | U.P. Sugarcane (Regulation of Supply and Purchase) Act, 1953

2-judge bench | K. S. Hegde, J. | A. N. Grover, J.

Assessment years: 1956-57

Government-road contribution; factual limits matter

The roads remained Government property and there was no Tribunal finding of wholly new roads or an enduring advantage acquired by the assessee. The decision does not make every infrastructure contribution deductible. The headnote prints Rs. 37,000; judicial facts and referred question state Rs. 37,500.

01 FACTS OF THE CASE

The sugar manufacturer contributed Rs. 75,000 and Rs. 37,500 to the Cane Development Council for roads connecting sugarcane-producing centres with its mills. It relied on statutory obligation, Government ownership of the roads and the practical benefit of transporting cane and maintaining supplies. Revenue authorities, Tribunal and High Court treated the amounts as capital expenditure. Only the second referred question concerning those contributions was before the Supreme Court.

Source: [SCR pp. 465-466 / PDF pp. 1-2](#)

02 DISCUSSION BY THE HON'BLE COURT

The expenditure had to be appraised from the business perspective and the entire factual setting. An outlay acquiring an enduring asset or advantage differs from one incurred to run the business profitably. Here the roads were not the assessee's property, it had contributed rather than met the entire cost, and improved transport served its ongoing sugar business. Commercial expediency existed apart from statutory compulsion. The Tribunal had not found that wholly new roads or an enduring benefit to the assessee were being created.

Source: [SCR pp. 467-469 / PDF pp. 3-5](#)

03 JUDICIAL DECISION

The appeal was allowed. The High Court's answer was discharged and the referred capital-expenditure question answered negatively in favour of the assessee; the contributions were allowable deductions. The assessee received costs in the Supreme Court.

Source: [SCR p. 469 / PDF p. 5](#)

04 OUTCOME / IN WHOSE FAVOUR

In favour of the assessee for these specific road-development contributions. The result depends on the nature of the outlay and the facts found; it is not an exemption for every compulsory payment or road construction cost.

Source: [SCR pp. 468-469 / PDF pp. 4-5](#)

05 AKHB REVIEW POINT

AKHB analysis: document ownership, whether work improves an existing facility or creates a new asset, the payer's actual rights, the funding contribution and the link to ongoing operations. Statutory compulsion and non-ownership are relevant circumstances rather than automatic substitutes for capital/revenue analysis. Apply the historical reasoning only after checking the relevant year's deduction provisions and later treatment.

Source: [SCR pp. 467-469 / PDF pp. 3-5](#)

SOURCE & VERIFICATION

Supreme Court Reports scan - public eSCR mirror

Five-page SCR scan. Complete judicial text and disposition reviewed; editorial headnote distinguished from reasoning. Unnumbered judicial text; SCR/PDF page pinpoints supplied.

Open cited source rendition

Full judicial source text read. Exact original bytes match source-index SHA-256; public mirror scan, not a certified court copy.

Amounts follow judicial facts and question on SCR p. 466: Rs. 75,000 and Rs. 37,500; differing headnote figure is disclosed.

STATUTORY SCOPE

Historical statute and assessment facts control. No automatic Income-tax Act, 2025 crosswalk or present-law certification.

LATER TREATMENT

Source checked 2026-10-10. Comprehensive subsequent judicial treatment and current-law applicability remain unverified. No current-law assurance or citator clearance is represented.

AI DISCLOSURE

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