

M/s. Guzdar Kajora Coal-Mines Ltd. Calcutta v. The Commissioner of Income Tax, Calcutta

Civil Appeals Nos. 2132 and 2133 of 1970 — Supreme Court appeal or expressly printed appeal group decided in this judgment and connected proceedings (full list below)

[1973] 1 SCR 742 | 1972-07-31

A conveyance's price and asset allocation are prima facie evidence of purchaser's actual cost, but substantiated fictitious or collusive valuation can justify inquiry and reallocation; these appeals disclosed no reversible error.

1922 Act: 10(2)(vi) | 1922 Act: 10(5)

3 Judges | K. S. Hegde | A. N. Grover | D. G. Palekar

01 FACTS OF THE CASE

The purchaser could not insist that the deed's allocation conclusively fixed depreciation cost. Guzdar Kajora acquired a colliery business for ₹6 lakh, effective 1 July 1945. The deed allocated ₹3,50,000 to machinery, stores and movables, ₹1,50,000 to structures, and ₹1 lakh to the remaining property. Earlier depreciation followed the old basis. For 1952-53 and 1953-54, the company sought higher figures from its accounts; the Tribunal remanded for evidence of acquisition value. The Income-tax Officer found connected directors/shareholders, inflated depreciable values and omitted goodwill. He allocated ₹2,56,960 to goodwill, ₹2,48,323 to mines/development, ₹60,744 to stores/stock and ₹33,973 to other depreciable assets. The Tribunal and Calcutta High Court sustained the inquiry and result.

Source: [SCR743H-746G: deed, years, remand, evidence and allocations.](#)

02 DISCUSSION BY THE HON'BLE COURT

Grover J first confined the appeals to the case and question actually presented. The new assertion that goodwill had never been sold contradicted the position taken below and fell outside the referred question. No ground for interference was established for these two years. At the assessee's request, the Court then gave illustrative guidance under sections 10(2)(vi) and 10(5) of the Indian Income-tax Act, 1922. Original cost meant cost to the person being assessed, not automatically the vendor's original or written-down cost. A deed was evidence and its figures prima facie showed that cost. But circumstances showing fictitious pricing, fraud, collusion or inflation/deflation for ulterior purposes allowed the authorities to ascertain actual cost from the evidence. The same inquiry could determine whether goodwill formed part of the consideration even if not expressly named. These principles were stated as illustrative, not exhaustive.

Source: [SCR747C-H: confined appeal and requested guidance; 748-749: original cost and rebuttable deed evidence.](#)

03 JUDICIAL DECISION

The Court declined to disturb the present assessments and confirmed that, where supporting circumstances existed, the authorities could examine both valuation and allocation between depreciable and non-depreciable assets. The additional guidance did not grant a fresh valuation or reopen these concluded appeals.

Source: [SCR747E-F,749G-750A: no present error and conditional valuation authority.](#)

04 OUTCOME / IN WHOSE FAVOUR

Both assessee appeals dismissed, with no order as to costs in the Supreme Court. The two assessments stood; the illustrative cost guidance did not reopen the appeals or certify modern goodwill deductions.

Source: [SCR750A: both appeals dismissed,noSCcosts.](#)

05 AKHB REVIEW POINT

A deed is prima facie evidence, not conclusive cost. Compared 1961 section 43(1), Explanation 3, and 2025 sections 39(5)-(6) impose prior-use, main-purpose and prior Joint Commissioner-approval conditions; lease/hire-back rules remain separate. Those conditions cannot be replaced by a general citation to Guzdar. No modern goodwill deduction is decided. The defective stated case, conflicting deed year and unprinted second High Court reference remain disclosed.

Source: [SCR743G source defects;745B-G evidential inquiry;747-749 limits and purchaser cost.](#)

APPEAL AND PROCEEDING NUMBERS

Civil Appeals Nos. 2132 and 2133 of 1970 — Supreme Court appeal or expressly printed appeal group decided in this judgment / I.T. Reference No. 36 of 1961 — Originating High Court appeal/reference docket; not an additional Supreme Court appeal

SOURCE & VERIFICATION

Original reported Supreme Court judgment

9-page retained public-mirror SCR report. The complete report was read as text and page images. The acquisition URL is preserved provenance; current endpoint availability and authentication as a signed original are not newly verified. All physical pages1-9/SCR742-750: caption/dockets, complete Grover J judgment, source-record warning, deed/remand allocations, section10 depreciation extracts, illustrative guidance and final dismissal/no-costs. Every page text and image personally inspected.

Open cited source rendition

Court expressly criticises omissions/errors in statement of case at SCR743 G.

SCR 743H prints deed3 April 1966; quoted Tribunal passage746D prints3 April 1946. No silent chronological correction.

Caption/jurisdiction identifies one HCITR36/1961 while judicial opening says two references; no additional HCnumber supplied.

The ₹6 lakh reallocation at 745F-H reconciles exactly; ₹33,973 is remaining depreciable value, not total consideration.

OCR final folio758 corrected by image to750. Guidance remains expressly under 1922 Act despite request concerning other pending years.

Modern statutory evidence is limited to the exact versions and scopes in sources; retained capture hashes are not original website/PDF hashes unless expressly labelled. No present-tax-year or full savings determination.

STATUTORY SCOPE

Indian Income-tax Act, 1922; 10(2)(vi), 10(5)

Complete 43(1), displayed 2025, read. Explanation 3 requires prior business/profession use by another, Assessing Officer satisfaction of main tax-reduction purpose through enhanced depreciation, and previous Joint Commissioner approval; Explanation 4A has overriding lease/hire-back treatment. Other cost adjustments also apply.

Bounded 39(1)-(2), 39(4) Table row 8, and 39(5)-(6), displayed 2026, read. Substitution needs prior business use, main purpose finding and prior Joint Commissioner approval; row 8 lease/hire-back rule is preserved. The new wording says business versus old business or profession. No 39(3) visual formula/full regime or modern goodwill eligibility certification.

Legacy 1922 Act holding; comparison versions and personally read scopes are explicit. No automatic precedent carryover or exhaustive present-law/repeal/savings determination.

Other provisions addressed: Section 37: expert examination; Section 10(2)(vi) proviso(c): aggregate depreciation limit

LATER TREATMENT

Source checked 2026-10-07. No specific later judgment is adopted in this note; no absence of later treatment is asserted.

Comprehensive subsequent history and present-law applicability are not certified.

Comprehensive subsequent history remains unverified; no later-use claim adopted.

IDENTIFIED SOURCE LINKS

[Income-tax Act, 1961: selected provision](#)

Official departmental rendition displayed 2025 Identity/version lines 38-58; introductory line 65 and complete 43(1), including both provisos and Explanations 1, 1A, 2, 3, 4, 4A, 5-13 and their qualifications, lines 68-119. Other section 43 definitions not adopted. Fresh personal bounded read of exact retained official tool-text capture. No inherited actor read, original HTML/PDF-byte or image claim; no full present-law, tax-year or repeal/savings determination.

[Income-tax Act, 2025: selected provision](#)

Official departmental rendition displayed 2026 Identity/version lines 38-58; full 39(1)-(2) lines 63-72; table heading and complete 39(4) row 8 lines 83-87 and 107-110; complete 39(5)-(6) lines 129-133. Other displayed 39 text is context; 39(3)'s visual formula was absent from extracted text and is not claimed read. Fresh personal bounded read of exact retained official tool-text capture. No inherited actor read, original HTML/PDF-byte or image claim; no full present-law, tax-year or repeal/savings determination.

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