

R. B. Seth Moolchand Suganchand v. The Commissioner of Income-tax, Delhi

Civil Appeal No. 2020 of 1972 — Supreme Court special-leave appeal heard and dismissed on merits with costs, as expressly explained in the judicial opening and connected proceedings (full list below)

[1973] 2 SCR 360 | 1972-09-19

The long-term right to extract embedded mica and the fee initiating prospecting were capital expenditure; already extracted surface scrap was separately treated as trading stock.

1922 Act: 10(2)(xv) | 1922 Act: 66(1)

2 Judges | P. Jaganmohan Reddy | H. R. Khanna

01 FACTS OF THE CASE

The mining firm obtained a twenty-year lease over areas previously worked by others. Mica pillars were exposed, but extraction remained necessary; separate mica scrap lay on the surface. For assessment year 1952-53, it claimed an annual fraction of the tender payment and Rs. 3,200 paid for a one-year prospecting licence. The Tribunal allowed Rs. 3,360 for surface scrap but rejected the disputed mining-right and prospecting claims. The Rajasthan High Court answered both referred questions against the firm under the Indian Income-tax Act, 1922. A defective certificate appeal and a subsequent special-leave appeal reached the Supreme Court.

Source: [SCR 361E-362H](#)

02 DISCUSSION BY THE HON'BLE COURT

Jaganmohan Reddy J stressed that no single capital/revenue test is universal: the business, agreement, right acquired and purpose of payment must be considered together. Applying Pingle Industries, payment for an enduring right over land to win minerals was capital, whereas minerals already extracted and available as raw material could constitute stock-in-trade. Earlier work exposing the mica increased the lease's value but did not eliminate the mining operations still required. The Tribunal's factual distinction was consistent and had not been properly challenged by a referred question. The prospecting fee was payable independently of mineral quantity and obtained the right to investigate, search and initiate mining; neither its one-year duration nor incidental rights over recovered minerals converted it into the purchase price of stock.

Source: [SCR 363D-371B](#)

03 JUDICIAL DECISION

The disputed lease expenditure acquired an enduring mining right, and the prospecting fee initiated the mining operation. Both were capital and unavailable as the claimed revenue deductions under section 10(2)(xv). The Court upheld the negative answers to both reference questions. The Tribunal's separate allowance for extracted surface scrap was preserved as part of the factual distinction.

Source: [SCR 368C-H and 370B-371B](#)

04 OUTCOME / IN WHOSE FAVOUR

Special-leave appeal 2020/1972 was dismissed with costs. Earlier certificate appeal 1238/1969 was dismissed without costs. The mining-right and prospecting deductions failed on merits; the certificate appeal had a separate procedural disposal.

Source: [SCR 361E-F and 371B-C](#)

05 AKHB REVIEW POINT

Distinguish buying an extracted commodity from acquiring the enduring right and infrastructure needed to obtain it. Record the actual extraction work remaining and the payment's contractual purpose. Do not turn the judgment into a rule that every mineral payment is capital, or that short-term fees are revenue. Current exploration, amortization or depreciation provisions require separate verification beyond this general deduction holding. The bounded modern general-deduction comparison is 1961 section 37 to 2025 section 34, subject to each version's exclusions.

Source: [SCR 364C-365B and 368G-371B](#); [editorial factual and modern-statutory limits](#); [Whole displayed section 37, main \(1\), Explanations 1-3, \(2B\), omitted slots and footnote 17](#); [HTML 38-95](#); [Whole section 34\(1\)-\(3\)](#); [HTML 38-73](#); [All Mewar physical pages 1-8, SCR 429-436 text/images read. Adopted later-use pinpoint: physical 6/SCR 434B-F, identifying CA 2020/1972 decided 19 September 1972 and quoting Moolchand's contextual test.](#)

APPEAL AND PROCEEDING NUMBERS

Civil Appeal No. 2020 of 1972 — Supreme Court special-leave appeal heard and dismissed on merits with costs, as expressly explained in the judicial opening / Civil Appeal No. 1238 of 1969 — Earlier certificate appeal dismissed without costs because the unreasoned certificate could be revoked / Income-tax Reference No. 11 of 1963 — Originating Rajasthan High Court at Jodhpur reference, judgment dated 28 March 1968

SOURCE & VERIFICATION

Original reported Supreme Court judgment

12-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.

Open cited source rendition

The reporter's certificate description of appeal 2020/1972 conflicts with the judicial opening; both appeal routes and costs are explicitly reconciled.

The printed tender sum Rs. 1,57,150 less surface scrap Rs. 3,360 does not exactly equal the stated balance Rs. 1,53,800. The latter is visible in the second question at SCR 362, despite OCR rendering Rs. 1,53,000. No arithmetic repair is adopted.

STATUTORY SCOPE

Indian Income-tax Act, 1922; 10(2)(xv), 66(1)

Section 37(1), official displayed 2025 text, excludes capital/personal expenditure and applies the wholly-and-exclusively business test, subject to specified provisions and express exclusions. It supplies a general comparison, not a decision on this historical payment under the later Act.

Section 34(1)–(3), displayed 2026, supplies the general expenditure test with its own enumerated exclusions. This is a bounded 37→34 comparison; special allowances and the applicable tax year require separate analysis.

Legacy 1922 holding. Exact compared versions and bounded read scopes are recorded in sources; no automatic present-law carryover or exhaustive tax-year/repeal/savings determination.

LATER TREATMENT

Source checked 2026-10-07. Mewar Sugar Mills (26 September 1972), SCR 434B-F, expressly cites this appeal and quotes its contextual capital/revenue test. Mewar then allows its production-linked sugar royalty; this is a specific later use of the method, not a reversal of the mining-right result.

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

IDENTIFIED SOURCE LINKS

[Income-tax Act, 1961: section 37](#)

Official HTML displayed 2025; not verified as a complete 2026 consolidation Whole displayed section 37, main (1), Explanations 1–3, (2B), omitted slots and footnote 17; HTML 38–95. New personal bounded read of retained coordinator official web text. No fresh author acquisition, original PDF/HTML hash, page-image inspection or complete current-applicability/savings certification.

[Income-tax Act, 2025: section 34](#)

Official 2025 Act as amended by Finance Act 2026; section 34 HTML displays 2026 Whole section 34(1)–(3); HTML 38–73. New personal bounded read of retained coordinator official web text. No fresh author acquisition, original PDF/HTML hash, page-image inspection or complete current-applicability/savings certification.

[Mewar Sugar Mills Ltd., Bhopal Sagar v. Commissioner of Income-tax, Rajasthan, Jaipur \(1972-09-26\)](#)

All Mewar physical pages 1–8, SCR 429–436 text/images read. Adopted later-use pinpoint: physical 6/SCR 434B-F, identifying CA 2020/1972 decided 19 September 1972 and quoting Moolchand's contextual test. Existing own full primary read of the separate Mewar judgment used as a related source here. The royalty outcome is factually distinct from Moolchand's mining-right expenditure.

AI DISCLOSURE

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

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