

Travancore Cochin Chemicals Limited v. Commissioner of Income-tax, Kerala

Civil Appeal No.265 of 1972

[1977] 2 SCR 715 | 1977-01-21

Whether the assessee's Rs.26,100 contribution for a newly constructed road improving its factory's transport facilities was deductible revenue expenditure under historical section 37(1), or capital expenditure.

37(1) | 256(1) | 261

Three-judge bench | H.R. Khanna, J. | R.S. Sarkaria, J. | A.C. Gupta, J.

Assessment years: 1964-65

Historical capital-expenditure decision expressly confined by a later judgment

This decision denied the Rs.26,100 new-road contribution for AY 1964-65 under section 37(1). Do not treat it as a universal rule that new roads or every enduring benefit require capital treatment. The later judgment of 26 August 1980, reported at [1981] 1 SCR 523 under the printed title L.B. Sugar Factory & Oil Mills, expressly confines Travancore to its peculiar facts and explains the capital-field qualification (SCR 530). Its criticism of the earlier treatment of Atherton is attributed to it; the 1977 report itself reproduces Atherton's parenthetical qualification. Comprehensive later treatment, current law and 2025 mapping remain not_verified.

01 FACTS OF THE CASE

The assessee was a public limited chemical-manufacturing company that received raw materials and dispatched products by lorries. Its factory area lacked pucca roads. It and three other public undertakings approached the Kerala Government for a new road. The Government agreed to bear the land-acquisition cost and 25% of construction cost; the four companies were to share Rs.1,04,550, of which this assessee contributed Rs.26,100. The claim concerns AY 1964-65 and the accounting year ended 31 March 1964 (physical pages 1-2/SCR 715 G-716 B).

The ITO and AAC treated the contribution as capital expenditure. The Tribunal, principally relying on Hindustan Motors, allowed it as revenue expenditure. At the Commissioner's instance it referred whether the contribution was deductible under section 37(1), through section 256(1) of the Income-tax Act, 1961. The Kerala High Court answered against the assessee on 24 August 1971 in I.T.R. No.25 of 1969. The assessee appealed by certificate under section 261 (physical pages 1-2/SCR 715 F, 716 B-E).

Source: See the proposition-specific paragraph and PDF-page references below.

02 DISCUSSION BY THE HON'BLE COURT

The Court recognised the difficulty of drawing a precise line between capital and revenue expenditure and treated the nature of the benefit as fact-dependent. It reproduced the enduring-benefit test from Atherton, including the qualification for special circumstances leading to an opposite conclusion, and an attributed passage from Assam Bengal Cement. That passage distinguishes obtaining a business asset or advantage from expenditure on running or working the business to produce profits, treats the expenditure's aim and object as material, and explains that the source or manner of payment does not determine its character. Sitalpur Sugar Works is cited as another adoption of the test; these are authorities discussed in this report, not independently rereviewed original judgments (physical pages 2–3/SCR 716 F–717 E).

The application of the correct test was not disputed. On these facts the Court held that the newly constructed road, improving transport facilities, gave the assessee an enduring business advantage. It distinguished Hindustan Motors because that decision concerned repair of an existing road, rather than laying a new one for the assessee's business (physical page 3/SCR 717 F–H).

Counsel relied on Lakshmiji Sugar Mills to argue that even road-construction expenditure could be revenue. The Court described that case as involving statutorily compelled contributions to development of government roads, with no finding that the roads were newly made. It considered that decision factually different and confined it to its peculiar facts. The Court then held this contribution capital. This records the 1977 Court's reasoning; the separately identified later primary check expressly limits how that reasoning can be generalised (physical page 4/SCR 718 A–D).

Source: See the proposition-specific paragraph and PDF-page references below.

03 JUDICIAL DECISION

The assessee's appeal was dismissed. The High Court's negative answer to the section 37(1) deduction question remained in place: the Rs.26,100 contribution was capital expenditure on the stated facts. The Court made no order as to costs (physical page 4/SCR 718 C–D).

Source: See the proposition-specific paragraph and PDF-page references below.

04 OUTCOME / IN WHOSE FAVOUR

In whose favour: Revenue

Assessee appeal dismissed; no order as to costs

Reasoned final classification of the disputed contribution as capital, disallowing the revenue deduction

No remand, express reserved merits question, depreciation decision or quantified costs award. The source does not establish a universal rule for all new public roads or all enduring benefits; a later judgment expressly confines this decision to its peculiar facts.

Source: See the proposition-specific paragraph and PDF-page references below.

05 AKHB REVIEW POINT

Examine the commercial character of the advantage and the precise arrangement before using road expenditure as a capital/revenue analogy. This judgment denied the deduction for this new-road contribution, but the later decision reported as L.B. Sugar Factory & Oil Mills expressly confines it to its peculiar facts and explains that enduring benefit is not an absolute test. Neither the historical result nor the later discussion certifies treatment under a later statutory version.

Source: See the proposition-specific paragraph and PDF-page references below.

PROPOSITION-SPECIFIC SOURCE PARAGRAPHS AND PDF PAGES

1.

Topic: Identity, date, three-judge bench and single appeal

Source url: [Open cited source](#)

Pdf pages: 1

Paragraphs: SCR 715 heading and F–G

Source role: reported metadata and judicial text

2.

Topic: AY, facts, new road and expenditure

Source url: [Open cited source](#)

Pdf pages: 1; 2

Paragraphs: SCR 715 G–716 B

Source role: judicial text

3.

Topic: Express 1961 sections 37(1), 256(1), 261 and appellate history

Source url: [Open cited source](#)

Pdf pages: 2

Paragraphs: SCR 716 B–E

Source role: judicial text

4.

Topic: Enduring-benefit test with qualification; attributed Assam Bengal quotation

Source url: [Open cited source](#)

Pdf pages: 2; 3

Paragraphs: SCR 716 F–717 E

Source role: judicial text

5.

Topic: Independent fact-specific application; existing-road repair distinction

Source url: [Open cited source](#)

Pdf pages: 3

Paragraphs: SCR 717 F–H

Source role: judicial text

6.

Topic: Lakshmi distinction and final dismissal without costs

Source url: [Open cited source](#)

Pdf pages: 4

Paragraphs: SCR 718 A–D

Source role: judicial text

7.

Topic: Later direct limitation of Travancore and rejection of absolute enduring-benefit test

Source url: [Open cited source](#)

Pdf pages: 5; 6; 7; 8; 9

Paragraphs: SCR 527 D–531 B

Source role: later judicial text

JUDICIAL AUTHORSHIP AND SEPARATE OPINIONS

A.C. Gupta, J.

ACT IDENTIFIED IN THE REVIEWED SOURCE

Income-tax Act, 1961 (historical section 37(1), AY 1964-65)

OTHER STATUTORY PROVISIONS AND THEIR SEPARATE SCOPE

U.P. Sugarcane Regulation of Supply and Purchase Act, 1953 (described only in the discussion of Lakshmi Sugar Mills)

SPECIFIED LATER PRIMARY-SOURCE CHECKS AND THEIR LIMITS

1.

Kind: later judgment direct treatment

Asset id: 1981_1_523_531

Url: [Open cited source](#)

Filename: 1981_1_523_531_EN.pdf

Sha256: d799abe7c0eb350c5df8557b1c0f13d29ed26c7482583d9b4405ad5019651eb6

File bytes: 373223

Pdf pages: 9

Full bounded judicial text read: True

Reviewed judicial boundary: Entire nine-page source read. Judicial body begins physical page 2/SCR 524 E (Bhagwati, J.) and ends physical page 9/SCR 531 B with partial allowance and each party bearing its own costs throughout. Page 1 and upper page 2 are reporter material. No neighbouring judgment.

Provenance: Preserved public-mirror eSCR rendition; exact original source-ZIP member freshly extracted and independently checked against catalogue SHA-256, bytes and physical-page count. Original PDF unchanged. No signed-original authentication or fresh live-link availability certification claimed.

Title: L.B. Sugar Factory & Oil Mills (P) Ltd., Pilibhit v. C.I.T., U.P., Lucknow (title as printed in this source)

Decision date: 1980-08-26

Case numbers: Civil Appeal No.298 of 1973

Citation: [1981] 1 SCR 523

Physical text pages read: 1; 2; 3; 4; 5; 6; 7; 8; 9

Physical image pages read: 1; 2; 3; 4; 5; 6; 7; 8; 9

Classification: expressly confined to peculiar facts

Version: bounded-primary-check-2026-10-05.v1

Current law and comprehensive treatment: not verified

Finding: The later Court expressly confined Travancore-Cochin Chemicals to its peculiar facts, preferred the closer Lakshmiiji Sugar Mills analogy, and rejected treating the enduring-benefit test as absolute regardless of whether the advantage was in the capital field (physical page 8/SCR 530 B–H). The later case itself concerned 1922 section 10(2)(xv), AY 1956-57. It allowed a Rs.50,000 road contribution but left disallowance of Rs.22,332 for a dam/road contribution intact, with each party bearing its own costs throughout (physical pages 2–9/SCR 524 E–531 B). This is a specific later-treatment verification, not a comprehensive citator review or a claim of formal overruling.

Source cautions: This preserved SCR source prints L.B. in the case heading and running headers. No unverified correction to a familiar alternate title is made.; The later Court says Atherton's parenthetical qualification was not brought to the earlier Court's attention. The 1977 report does reproduce that qualification at SCR 717 A. The note preserves both texts and attributes the later criticism to the later Court; it does not assert the phrase was absent from the original report.; The headnote calls Lakshmiiji Sugar Mills distinguished, whereas the later judicial body expressly follows its analogy; the judicial body controls.

SOURCE & VERIFICATION

Hon'ble Supreme Court source PDF (reported judgment)

Identified source rendition: 4 PDF pages; SHA-256

587bde79fdd16c3c725c3cea6df25ac2deb8e9a31e7d5385b573765d9fb37ae9. Original bytes preserved.

Judicial body begins physical page 1/SCR 715 G–H (Gupta, J.) and ends physical page 4/SCR 718 D with dismissal and no order as to costs. Upper page 1 is reporter headnote, appellate metadata and appearances. No neighbouring judgment.

Open cited source rendition

The frozen source has scan/OCR degradation in the opening lines of SCR 716; no road-place spelling is needed for or supplied in the note. The construction arrangement, amounts and operative law are clear.; The 1980 later-treatment source prints L.B. Sugar Factory in its heading and headers; that spelling is preserved rather than silently substituted.; The later judgment's criticism about Atherton's parenthesis is attributed to that Court. The 1977 report itself includes the parenthesis at SCR 717 A.; No comprehensive later-treatment, current-law or complete statutory amendment verification.

The judicial opening expressly states AY 1964-65 and financial year ended 31 March 1964.

Section 37(1) is the decided deduction provision; sections 256(1) and 261 identify the reference and certified-appeal routes, not separately adjudicated jurisdictional disputes.

STATUTORY SCOPE

No automatic mapping to the Income-tax Act, 2025, no current-law certification and no full amendment-chain verification.

LATER TREATMENT

Source checked 2026-10-05. not_verified comprehensively. The single identified later judgment, decided 26 August 1980 and reported at [1981] 1 SCR 523, was fully read in primary text and images and expressly confines this decision to its peculiar facts at SCR 530. This bounded check does not establish the complete subsequent history, formal overruling, current law or a 2025 statutory mapping.

IDENTIFIED SOURCE LINKS

[reported judgment - PDF pages: 4](#)

SHA-256: 587bde79fdd16c3c725c3cea6df25ac2deb8e9a31e7d5385b573765d9fb37ae9

[later judgment direct treatment - PDF pages: 9](#)

SHA-256: d799abe7c0eb350c5df8557b1c0f13d29ed26c7482583d9b4405ad5019651eb6

AI DISCLOSURE

AI-assisted research checked against the identified source. Extraction, interpretation or omission errors remain possible. Source review does not mean independent approval by a practising professional. Verify every material statement against the complete original judgment.

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