

Sassoon J. David & Co. (P) Ltd., Bombay v. Commissioner of Income-tax, Bombay

Civil Appeal No. 2501 of 1972

[1979] 3 SCR 878 | 1979-05-03

Whether retrenchment compensation and annuity payments made around a share sale were wholly and exclusively for the company's business

Indian Income-tax Act, 1922: section 10(2)(xv)

Two-judge bench; judgment delivered by E. S. Venkataramiah, J. | N. L. Untwalia, J. | E. S. Venkataramiah, J.

Historical ruling; verify current law

This judgment applies historical legislation and facts. Do not treat this note as a current-law or citator-status certificate.

01 FACTS OF THE CASE

Before the controlling shareholders sold their shares, the company terminated 22 employees and agreed compensation; it also paid an annuity to the managing director. The sale agreement deducted those liabilities from the share consideration. Tax authorities treated the payments as benefiting purchasers rather than the company.

Source: [Primary judgment: facts and procedural setting](#)

02 DISCUSSION BY THE HON'BLE COURT

The Court rejected importing "necessity" into wholly and exclusively. Commercial expediency and legitimate business purpose control; a third party's benefit does not defeat deduction. Reducing an old or superfluous workforce was capable of benefiting the company itself, and no oblique purpose was established.

Source: [Primary judgment: reasoning](#)

03 JUDICIAL DECISION

The retrenchment compensation of Rs.1,27,511 for 1957-58 and Rs.16,885 in each of the three succeeding years was deductible under section 10(2)(xv).

Source: [Primary judgment: holdings](#)

04 OUTCOME / IN WHOSE FAVOUR

Assessee appeals allowed; Revenue ordered to pay one set of costs.

Source: [Primary judgment: operative disposition](#)

05 AKHB REVIEW POINT

AKHB analysis: record the company's own business purpose and contemporaneous decision-making. The fact that shareholders or a purchaser also benefits is not by itself disqualifying, but purpose and evidentiary linkage remain factual.

Source: [Primary judgment: review-point basis](#)

SOURCE & VERIFICATION

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

Complete 19-page SCR report read in page-preserving text and every page image inspected, from the reported opening page through the operative disposition.

[Open cited source rendition](#)

Exact catalogue SHA-256 and 19-page count verified; every page was read and visually inspected.

STATUTORY SCOPE

Historical statutory provisions are described as they appeared in the report. Verify the current enactment, amendments and later judicial treatment before reliance.

LATER TREATMENT

Source checked 2026-10-12. No comprehensive later-treatment or present-law clearance is represented. The note reports the historical statutory text and result in this primary report only.

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 complete judgment, governing statutory version 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.