

COMMISSIONER OF INCOME TAX WEST BENGAL - I, CALCUTTA. v. ASSOCIATED ELECTRICAL INDUSTRIES (INDIA) PRIVATE LIMITED.

Civil Appeal No. 1404 of 1973; Originating High Court proceedings: Income Tax Reference No. 148 of 1965

[1985] Supp. 3 SCR 627 | 1985-10-10

Earlier pension-policy contributions became expenditure in 1959-60 when amended plan rules finally removed the employer's control. The separate withholding objection failed because actual tax deduction was an unchallenged factual finding.

2-judge bench | V.D. Tulzapurkar, J. | R.S. Pathak, J.

1959-60 controls

The judicial body fixes the year as 1959-60; the headnote's 1960-61 is erroneous. Deduction rests on relinquished control and an unchallenged withholding finding.

Operative context: Indian Income-tax Act, 1922; 10(2)(xv), 10(4)(c).

01 FACTS OF THE CASE

The company operated a pension and life-assurance plan for European employees through Scottish Widows policies. Both employer and employees contributed. Original rules allowed the employer to recover assured money in some circumstances and direct disposal of plan funds. Deductions initially granted were later denied or restricted to policies under which employees actually received benefits.

On 21 December 1957 the directors amended the rules so that policy proceeds belonged to entitled plan members, leaving the company no control. For 1959-60, covering 1 November 1957 to 31 October 1958, it claimed its contributions. The officer allowed the current-year Rs. 27,069 but refused earlier contributions. The claim ultimately in dispute was the unallowed balance of Rs. 2,09,920.88 after previously allowed sterling payments were deducted.

Source: [SCR630D-632D](#)

02 DISCUSSION BY THE HON'BLE COURT

The Revenue argued that expenditure could not arise in the relevant year because the cash had been paid earlier. The Court rejected that equation. Under the original rules the company retained a hold over the contributions and could receive them back. Those transfers were therefore not then expenditure laid out or expended within section 10(2)(xv).

The decisive event was the rule amendment. On 21 December 1957 control over the earlier payments passed from the employer to plan members. The amount in dispute consequently became expenditure during the accounting period relevant to 1959-60, even without a fresh cash transfer of that balance in that period. The earlier expenditure authorities relied upon by the Revenue did not overcome this factual distinction.

The Revenue separately invoked section 10(4)(c), questioning tax deduction arrangements. The appellate authorities had found that the employer treated its contributions as salary and deducted tax when paying them. That factual finding had never been challenged, and the Court would not permit a new attack upon it. The decision therefore does not dispense generally with the statutory withholding condition or approve every pension contribution merely because a board resolution exists.

Source: [SCR632E-633E](#)

03 JUDICIAL DECISION

The Revenue's appeal was dismissed with costs. The affirmative reference answer for the company was upheld, permitting the disputed expenditure deduction in 1959-60.

Source: [SCR633E-F](#)

04 OUTCOME / IN WHOSE FAVOUR

Revenue appeal dismissed with costs. Result: Assessee. Costs: Appeal dismissed with costs. Scope: Disputed prior-contribution balance deductible in 1959-60. Limit: Actual surrender of control and unchallenged tax-deduction finding.

Source: [SCR633E-F](#)

05 AKHB REVIEW POINT

Read the original and amended benefit rules to identify when payment became irrevocable and whose enforceable rights changed. Reconcile deductions already allowed before claiming the balance. Keep expenditure timing distinct from withholding compliance, and verify the governing statutory restrictions independently for later years and modern employee-benefit funds.

Source: [SCR631F-632D;633A-E](#)

SOURCE & VERIFICATION

Original reported Supreme Court judgment

7-page retained public-mirror SCR report. The complete report was read as text and page images. Fresh remote authentication as a signed original is not claimed.

Open cited source rendition

The headnote at SCR 629E wrongly assigns the expenditure to 1960-61. The judicial text expressly identifies 1959-60 at 631G and 633B and gives the accounting period. The headnote calls the assessee a firm; the caption identifies a private limited company. These discrepancies are disclosed rather than imported into the operative note.

STATUTORY SCOPE

Indian Income-tax Act, 1922; 10(2)(xv), 10(4)(c).

The checked 2011 sections 37(1), 40(a)(iv) and 145 distinguish general expenditure, effective tax-deduction arrangements for employee funds and the accounting method. Those provisions are comparisons; the original deduction turns on relinquishment of control and an unchallenged withholding finding.

Selected 2025/FA 2026 sections 34(1), 35(b)(iii) and 276 distinguish general deductions, effective tax-deduction arrangements for employee funds and accounting. Payment timing alone does not determine all deductions, but the original ruling cannot dispense with specific modern restrictions or payment conditions.

Section 1(3) commenced the 2025 Act on 1 April 2026, subject to exceptions. Section 536 preserves prior operation, rights and liabilities and the 1961 procedure for specified earlier-year and pending proceedings. Determine the governing year and savings before using any comparison.

Related-section tags are research navigation only. They are not provisions decided in this judgment or verified mappings beyond any expressly bounded comparison below.

No automatic precedent carry-over or verified case-specific 2025 applicability is claimed.

LATER TREATMENT

Source checked 2026-10-07. Income Tax Officer v Shreyas Shipping Ltd. (Income Tax Appellate Tribunal, Mumbai, 2002-05-24), paragraph 16: Uses Associated Electrical Industries for the timing proposition that the deduction year under mercantile accounting need not be the payment year. The captured decision is ITAT Mumbai, not Bombay High Court; limited cited proposition only.

Bounded later use is recorded below. No claim of exhaustive research, absence of contrary treatment or current-law certification is made.

IDENTIFIED SOURCE LINKS

[Income Tax Officer v Shreyas Shipping Ltd. \(2002-05-24\), nonofficial judicial text reproduction](#)

paragraph 16 Third-party public judicial text via web extraction; no court-original image validation; apparent OCR/typesetting anomalies preserved; link markup removed only in passage file; bounded passage only, not full later judgment.

[Income-tax Act, 1961, supplied DOR 2011 compilation](#)

Section 37(1), physical 291; section 40(a)(iv), physical 297; section 145, physical 718-719. Selected extracted text only; not present-day 1961 consolidation or source-image verification.

[Income-tax Act, 2025, as amended by Finance Act 2026](#)

Section 34(1), physical 67, lines 2657-2663; section 35 heading and (b), physical 68, lines 2683-2687, 2695, and (b)(iii), physical 69, lines 2729-2733; section 276, physical 370-371, lines 14971-14983. Selected official web-extracted text only; not full Act/raw-PDF/image/all-amendments verification. Physical pages are one-based; underlying web P indexes are zero-based.

[2025 Act commencement and savings, selected FA 2026 text](#)

Section 1(3), physical 1, lines 0-13; section 536(2)(a)-(e), physical 584-585, lines 24385-24408.

AI DISCLOSURE

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

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