

Scientific Engineering House (P) Ltd. v. Commissioner of Income Tax, Andhra Pradesh

Civil Appeal No. 262 (NT) of 1974 / Two connected civil appeals, whose numbers are not stated in this primary rendition

[1985] Supp. 3 SCR 701 | 1985-11-01

Whether payments under two collaboration agreements principally bought technical documentation and whether that capital asset was depreciable plant under the historical sections 32 and 43(3).

32 (historical depreciation provision) | 34 (historical conditions governing depreciation) | 43(3) (historical inclusive definition of plant)

Two-judge bench | V.D. Tulzapurkar, J. | Sabyasachi Mukharji, J.

Assessment years: 1966-67, 1968-69, 1969-70

Historical technical-document depreciation; three appeals and source limits

This judgment allows depreciation for the manufacturing documentation acquired under these contracts and historical sections 32, 34 and 43(3); the whole payment remains capital. All three assessment-year appeals succeeded, but the primary rendition prints only CA 262 (NT)/1974 and “etc.”, leaving two docket numbers unverified. It also contains conflicting High Court dates. Do not infer a current rate, automatic intangible-asset treatment or a rule that every useful business asset is plant. Comprehensive later treatment, current-law status and 2025 mapping are not verified.

01 FACTS OF THE CASE

The assessee manufactured scientific instruments. Under two agreements with Metrimpex Hungarian Trading Company, dated 15 and 31 March 1961, it acquired manufacturing and Indian sales rights and complete technical documentation for theodolites and microscopes. It paid Rs.80,000 under each agreement, Rs.1,60,000 in all, and entered the amount under "Library". The documents included manufacturing and assembly drawings, processing instructions, specifications, layouts and other technical material (physical pages 5-6 and 10-12).

For AY 1966-67, accounting year ending 30 September 1965, it claimed Rs.12,000 depreciation. The Income-tax Officer regarded the acquisition as capital but not depreciable. The Appellate Assistant Commissioner treated the documents collectively as books and allowed depreciation. The Tribunal instead preserved the Rs.12,000 deduction as a revenue component of mixed expenditure, limited to the relief already granted because only the Revenue had appealed. On references sought by both sides, the High Court treated the whole expenditure as capital but the asset as non-depreciable, denying either form of deduction (physical pages 6-8).

The same High Court view governed claims for AYs 1968-69 and 1969-70, whose accounting years ended on 30 September 1967 and 30 September 1968. All three appeals were decided together. Before the Supreme Court, the assessee accepted that the expenditure was wholly capital; its case was for depreciation, not an immediate revenue write-off (physical pages 5 and 8-9).

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

02 DISCUSSION BY THE HON'BLE COURT

The Court first construed the actual contracts. Clauses 3 and 6(a) expressly linked the lump-sum payment to the defined documentation service. Other services, including employee training and visits by technicians, were available on request with expenses borne separately by the assessee. Reading the agreements as a whole, the documentation was the principal service, not an incidental aid to some other dominant service. The payment was the purchase price of technical know-how embodied in the drawings, designs, charts, plans and literature, which formed the tools of the manufacturing business (physical pages 10-13).

Capital character did not settle depreciation. Under the historical section 32, subject to section 34, the relevant assets had to fall within specified categories, be owned by the assessee and used for business. Section 43(3) expressly included books within plant. Drawing on earlier authorities, the Court explained that plant was not confined to mechanical apparatus: an article needed some durability and had to function as a tool with which the business was carried on, rather than stock-in-trade (physical pages 13-15).

The complete document sets constituted a book and met that functional test. They enabled manufacture to commence and had a vital operational role, with reasonably enduring utility notwithstanding eventual technological obsolescence. The absence of mechanical movement did not disqualify them. The Court approved the Gujarat High Court's Elecon Engineering view concerning technical drawings and patterns fundamental to manufacture (physical page 15).

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

03 JUDICIAL DECISION

The Court answered the question in the assessee's favour: the whole Rs.1,60,000 payment was attributable to acquiring a depreciable asset. All three appeals were allowed. Each party was directed to bear and pay its own costs. The order did not quantify separate depreciation amounts for all three years or direct a remand (physical page 16/SCR 716 A-B).

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

04 OUTCOME / IN WHOSE FAVOUR

In whose favour: Assessee

All three appeals allowed; parties to bear and pay their respective costs

Final reasoned decision on depreciation eligibility and the entire payment's attribution

Technical documentation under the particular 1961 contracts and historical sections 32, 34 and 43(3); no current rate or universal know-how classification determined.

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

05 AKHB REVIEW POINT

Identify what the contract actually purchases before classifying the expenditure, then apply the relevant year's statutory asset categories and ownership/use conditions. A payment can be wholly capital and still qualify for depreciation. Here the manufacturing documents themselves were working tools, and the separate pricing and expense obligations defeated the argument that documentation was merely incidental.

Bounded later primary check: Anand Theatres, physical page 9/SCR 346, recounts this technical-document holding and functional test; its concluding discussion at pages 37-41 rejects plant treatment for the hotel and cinema buildings before it. That comparison cautions against turning this case into a rule that every useful business asset is plant. It does not certify the later-treatment history of either case. Present-day know-how rules, depreciation rates and 2025 mapping require separate verification.

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

PROPOSITION-SPECIFIC SOURCE PARAGRAPHS AND PDF PAGES

1.

Topic: Identity, author, three-appeal group and years

Source url: [Open cited source](#)

Pdf pages: 1; 5

Paragraphs: SCR 701 A-B; 705 C-H

Source role: reported metadata and judicial text

2.

Topic: Acquisition, assessment and appellate history

Source url: [Open cited source](#)

Pdf pages: 6; 7; 8; 9

Paragraphs: SCR 706 A-H through 709 F

Source role: judicial text

3.

Topic: Contractual documentation/payment construction

Source url: [Open cited source](#)

Pdf pages: 10; 11; 12; 13

Paragraphs: SCR 710 B-H through 713 C

Source role: judicial text

4.

Topic: Historical statutory categories and functional test

Source url: [Open cited source](#)

Pdf pages: 13; 14; 15

Paragraphs: SCR 713 D-H through 715 G

Source role: judicial text

5.

Topic: Elecon approval, entire depreciable acquisition and costs

Source url: [Open cited source](#)

Pdf pages: 15; 16

Paragraphs: SCR 715 H; 716 A-B

Source role: judicial text

6.

Topic: Bounded later discussion and building distinction

Source url: [Open cited source](#)

Pdf pages: 9; 37; 38; 39; 40; 41

Paragraphs: SCR 346 B-D; 374-378

Source role: bounded later primary check

JUDICIAL AUTHORSHIP AND SEPARATE OPINIONS

V.D. Tulzapurkar, J.

ACT IDENTIFIED IN THE REVIEWED SOURCE

Income-tax Act, 1961

OTHER STATUTORY PROVISIONS AND THEIR SEPARATE SCOPE

Income-tax Act, 1922, section 10(5), only in the cited Taj Mahal Hotel analogy

SPECIFIED LATER PRIMARY-SOURCE COMPARISONS AND LIMITS

1.

Title: Commissioner of Income Tax v. Anand Theatres

Asset id: S 2000 1 338 378

Date: 2000-05-12

Pages read: 1; 9; 37; 38; 39; 40; 41

Finding: Directly recounts the documentation-as-plant holding and functional test; rejects plant treatment for hotel/cinema buildings in that case. No claim of comprehensive later treatment or present-law certification.

SOURCE & VERIFICATION

Hon'ble Supreme Court source PDF (reported judgment)

Identified source rendition: 16 PDF pages; SHA-256

71f0977b0dcdbecf7048972f28ee2d67918fff7fc7fddae9aacf78d253a5f55a. Original bytes preserved.

Judicial text begins physical page 5/SCR 705 E and ends physical page 16/SCR 716 A-B. All 16 pages, including separate reporter headnotes and metadata on pages 1-5, read in full. Three connected appeals form one judgment; no neighbouring judgment.

Open cited source rendition

The source establishes three appeals but gives only CA 262 (NT) of 1974 followed by "etc." Two connected docket numbers are not primary-verified. The full three-year group and common relief are preserved without invented numbers.; The report's jurisdiction line at physical page 5 gives the High Court date as 17 January 1973, while judicial page 8 says 7 January 1973. The note does not choose between them.; The Tribunal's partial revenue-expenditure rationale is procedural history, not the Supreme Court holding. The Supreme Court accepted wholly capital character and wholly depreciable acquisition.; This is a historical technical-document/books-as-plant decision. It does not establish a current depreciation rate or decide later intangible-asset provisions.

The formal line at physical page 5 prints Civil Appeals Nos. 262 (NT) of 1974 etc. The opening judicial paragraph expressly identifies three appeals, covering AYs 1966-67, 1968-69 and 1969-70. All three are covered by this single note; two docket numbers remain unverified against a primary source.

STATUTORY SCOPE

No automatic mapping to current law or the Income-tax Act, 2025. The historical statutory version for the relevant year governs.

LATER TREATMENT

Source checked 2026-10-04. Comprehensive subsequent judicial treatment, appeals, reviews, stays and current-law status are not verified. The expressly identified bounded primary checks are not a citator status certificate.

IDENTIFIED SOURCE LINKS

reported judgment - PDF pages: 16

SHA-256: 71f0977b0dcdbecf7048972f28ee2d67918fff7fc7fddae9aacf78d253a5f55a

bounded later primary judgment - PDF pages: 41

SHA-256: 58b2384e30c0da3b9425d34e4217053fc9c252fce733b347978da8a3b9233cfc

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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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