

Indo-Aden Salt Mfg. & Trading Co. Pvt. Ltd. v. Commissioner of Income Tax, Bombay

Civil Appeal Nos. 800–807 (NT) of 1974

[1986] 1 SCR 627 | 1986-03-12

Whether the undisclosed proportions of earthwork and masonry provided a basis for historical section 147(a) reopening for excessive depreciation, notwithstanding production and discussion of a valuation report, and whether the High Court should require a reference.

147(a), historical text | 147, historical Explanation 2 | 256(2)

Two-judge bench | Sabyasachi Mukharji, J. | K.N. Singh, J.

Assessment years: 1955-56, 1956-57, 1957-58, 1958-59, 1959-60, 1960-61, 1961-62, 1962-63

Material primary-fact omission under historical section 147(a)

Reopening was sustained because the earthwork/masonry proportions were undisclosed material primary facts linked to excessive depreciation. The Court preserved the limit to primary facts, causal escapement and the other reopening conditions. Mere production of a valuation did not cure this omission, but the ruling is not an unrestricted licence to reopen or a current depreciation-rate rule. Section 147 was later substituted; comprehensive later treatment and present-law/2025 mapping remain unverified.

01 FACTS OF THE CASE

The company acquired a partnership salt-works business by an agreement dated 24 August 1949. It relied on production of that agreement and a valuation report in the assessment for AY 1950-51. The report and depreciation were discussed, and the company's final letter agreed to an aggregate depreciable value of Rs. 20,31,000. The later reopening concerned AYs 1955-56 through 1962-63 (physical pages 3–4 / SCR 629–630).

The Tribunal found that the officer had not discussed whether the reservoirs, salt pans, piers, condensers and channels were masonry or earthwork, and had allowed depreciation on the entire value without excluding earthwork. It noted that 93% of the construction works were earth and 7% masonry; 41% of the piers were earth and 59% masonry. Those proportions were not disputed before it. Nor was it disputed that 6% depreciation was available only for the relevant masonry assets, that the 12% pier rate required construction entirely or mainly of wood, and that excessive depreciation had caused income to escape assessment or be underassessed (physical page 5 / SCR 631A–D).

The company argued that the primary facts had been discussed, that the Revenue could have investigated further, and that after so long it was difficult to say precisely what had been disclosed. The Tribunal upheld the reopening. The Bombay High Court declined the company's section 256(2) application to require the two proposed questions, and the company appealed by certificate in eight connected appeals (physical pages 3–5).

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

02 DISCUSSION BY THE HON'BLE COURT

The Court framed the historical section 147(a) inquiry in linked terms: was there material for a belief that a failure or omission to disclose fully and truly material facts had caused escaped or underassessed income? The assessee's duty extended to primary facts, not the inferences to be drawn from them. Which primary facts were material depended on the particular assessment; the causal connection between omission and escapement remained necessary (physical pages 3–4 / SCR 629G–630B).

Here the proportions of earthwork and masonry were plainly material to depreciation. The Court described it as admitted that neither the valuation report nor a statement to the officer disclosed those proportions. The agreed aggregate value and discussion of valuation did not supply the missing physical composition. Excess depreciation on the footing that the entirety was masonry gave the officer material from which reasonably to form the required belief (physical page 5 / SCR 631E–H).

The possibility that further probing by the officer might have uncovered the position did not discharge the company's disclosure obligation. Relying on the historical Explanation 2 and earlier authorities, the Court held that merely producing evidence in which the material fact remained embedded was not necessarily full and true disclosure. Deliberate and inadvertent omissions were alike for this jurisdictional purpose, but the Court expressly retained the requirement that other conditions for reopening be satisfied (physical page 6 / SCR 632A–F).

On this particular record, whether the primary-fact non-disclosure had caused escapement was basically factual. The High Court therefore properly declined to call for a statement of case. This reasoning does not turn every failure to explain an inference into a disclosure default, make every reassessment factual beyond legal review, or dispense with materiality, causation or other statutory jurisdictional conditions. Despite the older assessment years, the referred questions and reasons expressly apply the 1961 Act's historical section 147(a).

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

03 JUDICIAL DECISION

All eight assessee appeals failed and were dismissed. The High Court's refusal to call for a statement of case was upheld. The Court expressly made no order as to costs (physical page 6 / SCR 632G–H).

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

04 OUTCOME / IN WHOSE FAVOUR

In whose favour: Revenue

Civil Appeals 800–807 (NT) of 1974 dismissed; no order as to costs

Final reasoned determination sustaining the historical reopening and refusal of reference on the stated record

Actual omission of material asset-composition facts causing excessive depreciation; no duty to disclose legal inferences, no unrestricted reopening power and no present-law statement of depreciation rates.

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

05 AKHB REVIEW POINT

A disclosure file should connect the claimed allowance to its operative primary facts. Producing a valuation and agreeing a total value does not necessarily communicate how much of the asset qualifies for the claimed rate. Conversely, identify the precise allegedly missing fact before treating a disclosure as deficient: the Court preserved the distinction between primary facts and the officer's inferential task.

For historical section 147(a), test the chain separately: material primary fact, omission of full and true disclosure, resulting escapement and the officer's reasonable basis for belief, with the remaining jurisdictional conditions intact. An inadvertent omission can matter, but the judgment does not dispense with that chain or make ordinary reappraisal sufficient. The quoted 6% and 12% rates belong to this old asset record and are not published as current depreciation entitlements.

Bounded historical statutory context: the Department of Revenue-hosted 2011 compilation records the substitution of section 147 effective 1 April 1989 at physical page 720, footnote 71. The old Explanation 2 numbering in this 1986 judgment must not be silently equated with a later text. That limited comparison does not reconstruct every later reopening regime. Comprehensive later treatment, current application and any Income-tax Act, 2025 mapping remain unverified.

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

PROPOSITION-SPECIFIC SOURCE PARAGRAPHS AND PDF PAGES

1.

Topic: Identity and eight connected appeals

Source url: [Open cited source](#)

Pdf pages: 1; 3

Paragraphs: Cover; SCR 629A–C

Source role: reported metadata

2.

Topic: Actual statutory questions and primary/inferential fact boundary

Source url: [Open cited source](#)

Pdf pages: 3; 4

Paragraphs: SCR 629D–630C

Source role: judicial text

3.

Topic: Acquisition, valuation discussion and aggregate value

Source url: [Open cited source](#)

Pdf pages: 4

Paragraphs: SCR 630D–H

Source role: judicial text

4.

Topic: Undisclosed proportions, excessive depreciation and reasonable belief

Source url: [Open cited source](#)

Pdf pages: 5

Paragraphs: SCR 631A–H

Source role: judicial text

5.

Topic: Embedded evidence, inadvertence, other conditions and no costs

Source url: [Open cited source](#)

Pdf pages: 6

Paragraphs: SCR 632A–H

Source role: judicial text

6.

Topic: Historical substitution only

Source url: [Open cited source](#)

Pdf pages: 720

Paragraphs: Section 147 and amendment-history footnote 71

Source role: historical statutory context

PROVISION-SPECIFIC SCOPE

1.

Section: 147(a) and historical Explanation 2

Role: Actual 1961 Act reopening-jurisdiction and primary-fact disclosure holdings for the stated mixed-period assessment years

2.

Section: 256(2)

Role: Refusal to require a reference on the factual application of those principles

JUDICIAL AUTHORSHIP AND SEPARATE OPINIONS

Sabyasachi Mukharji, J.

ACT IDENTIFIED IN THE REVIEWED SOURCE

Income-tax Act, 1961

SOURCE & VERIFICATION

Hon'ble Supreme Court source PDF (reported judgment)

Identified source rendition: 6 PDF pages; SHA-256

e3e66c372097f0d583a3aa89ac569b4f8cb01077f3e59a42780d4801ad863385. Original bytes preserved.

Complete unnumbered judicial text from physical page 3 / SCR 629, beginning with Sabyasachi Mukharji J., through physical page 6 / SCR 632. Editorial headnotes on pages 1–2 and appeal metadata above the judicial opening distinguished. No adjacent judgment.

Open cited source rendition

The judicial text begins midway through physical page 3; the preceding headnotes are editorial.; The catalogue truncates the appeal number to 800/1974; the source verifies Civil Appeals 800–807 (NT) of 1974.; The reasons discuss both 6% masonry depreciation and the 12% rate for piers made entirely or mainly of wood; the note does not transform the headnote's compressed account into a separate entitlement.; This is a mixed-period decision actually applying historical section 147(a) of the 1961 Act, not a 1922-only decision.; Historical Explanation 2 numbering, rates and statutory tests are preserved as historical; no automatic later-version equivalence is claimed.; The 2011 compiled amendment-history footnote is bounded context, not an authenticated amending-Act Gazette or present-law certificate.

STATUTORY SCOPE

No automatic mapping to the Income-tax Act, 2025 or present-law certification. Apply the statutory text for the relevant year.

LATER TREATMENT

Source checked 2026-10-04. No comprehensive later-treatment search is certified. Any actually checked later judgment or historical statutory compilation is expressly identified and bounded.

IDENTIFIED SOURCE LINKS

reported judgment - PDF pages: 6

SHA-256: e3e66c372097f0d583a3aa89ac569b4f8cb01077f3e59a42780d4801ad863385

official hosted statutory compilation - PDF pages: 1251

SHA-256: 1ec6e4c38dc1d524d1d40b1fd35d13ac1336c8fc549cef2af1bf723a999c822b

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