

Sir Shadi Lal and Sons, Shamli v. Commissioner of Income-Tax, Kanpur

Civil Appeal Nos. 960 to 962 (NT) of 1975

[1988] 2 SCR 87 | 1987-11-27

Whether the particular lease placed the statutory repair burden on the tenant despite reserving major reconstruction-type obligations to the landlord, thereby limiting the owner's deduction under former section 24(1)(i)(b).

Former section 24(1)(i)(a) | Former section 24(1)(i)(b) | 147(a) (reopening validity not re-agitated; wider renewed-claim issue left undecided) | 261 (certificate appeal)

2-judge bench | M.H. Kania, J. | M.N. Venkatachaliah, J.

Assessment years: 1954-55, 1960-61, 1961-62

1987 decision on former repair provisions; reopening question left open

The cover confirms 27 November 1987 despite the 1988 SCR report year. The Court expressly applies former section 24(1)(i)(b), alongside acknowledged corresponding 1922 Act provisions, to this tenant's substantial-repair covenant; the historical one-sixth formula is not a current-law statement. All three appeals were dismissed without a costs order. Reopening validity was not re-agitated and the broader revival of earlier disallowed claims was not decided. The source gives conflicting 30 May/9 September 1952 lease dates, so neither is silently chosen. This case is distinct from Sir Shadi Lal Sugar's penalty case; comprehensive later treatment and statutory mapping remain unverified.

01 FACTS OF THE CASE

The assessee Hindu undivided family owned a Delhi house leased to the Chinese Embassy. The stated AYs were 1954-55, 1960-61 and 1961-62. The original assessments included annual letting value of Rs 36,000 and allowed Rs 6,000 for repairs. Reassessment treated the annual value as Rs 40,000 and allowed only Rs 4,000 under former section 24(1)(i)(b). A separate Rs 5,645 repair-expenditure claim for AY 1954-55 was rejected; the AAC and Tribunal upheld the limit (judicial paragraph 2, physical pages 3-4/SCR 89-90).

The lease required the tenant to keep the premises in good and habitable, tenantable repair and bear repairs including annual whitewashing and electrical/sanitary fittings. Major repairs such as those against collapse of the house were reserved to the lessors at their cost. The assessee argued that this sharing brought the case under former clause (a), rather than tenant-borne-repair clause (b). The High Court decided the reference against the assessee and granted a section 261 certificate on the repair and reopened-claim questions. Three civil appeals came before the Supreme Court by certificate (physical pages 3-6/SCR 89-92).

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

02 DISCUSSION BY THE HON'BLE COURT

The Court first delimited the issues. Reopening validity had not been re-agitated. It also declined to decide the broader proposition whether a valid reopening makes the entire assessment available for revival of previously disallowed claims: the Tribunal dispute was confined to repairs, and any otherwise tenable repair relief could be addressed without resolving that broader issue (judicial paragraph 4, physical page 5/SCR 91).

Under former section 24(1)(i)(b), a tenant's undertaking to bear repair costs limited the owner's deduction to the lower of the excess of annual value over annual rent payable and one-sixth of annual value. The actual computation was conceded to be correct if clause (b) governed, so the issue was the character of this covenant (judicial paragraphs 5–6, physical pages 5–6/SCR 91–92).

Reading the covenant against the repair principles discussed in Halsbury, Lurcott and the cited cases, the Court explained that repair can involve replacement or renewal of subsidiary parts, but rebuilding the whole subject matter need not be repair. A substantial or tenantable-repair covenant has a comprehensive reach. Here the tenant had undertaken the relevant substantial repairs; the reserved obligation against collapse was not a sharing of repairs within the statutory clause. The assessee's reliance on Parbutty Churn Law was therefore misplaced on these facts (judicial paragraphs 6–7, physical pages 6–7/SCR 92–93).

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

03 JUDICIAL DECISION

The covenant attracted former section 24(1)(i)(b), not clause (a); the repair allowance remained limited accordingly. All three assessee appeals failed and were dismissed without an order as to costs. The Court did not decide the wider revived-claims question or reconsider reopening validity (physical pages 5 and 7–8/SCR 91 and 93–94).

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

04 OUTCOME / IN WHOSE FAVOUR

In whose favour: Revenue on the repair-allowance issue

Three assessee appeals dismissed; no order as to costs

Final covenant-specific ruling under former section 24(1)(i)(b); broader reopened-assessment claim question unnecessary to decide

No holding that every landlord obligation defeats, or every tenant covenant establishes, tenant-borne repairs. No general current repair deduction or blanket reopening rule.

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

05 AKHB REVIEW POINT

Read the full allocation of obligations, not just the presence of some landlord responsibility. The reserved obligation here concerned collapse/reconstruction-type work; it did not mean that the substantial repairs covered by the former statutory clause were shared. The comparison between repair of subsidiary parts and reconstruction of the whole is applied to this covenant and this historical house-property allowance, not certified as a universal business-expenditure capital/revenue test.

The date of judgment is 27 November 1987, confirmed on the cover, even though the report is [1988] 2 SCR 87. This is distinct from Sir Shadi Lal Sugar's 31 July 1987 penalty-reference case. The Court's refusal to decide the broader reopened-claims issue is substantive metadata: publishing a general reopening holding would go beyond the judgment. The source's two different 1952 lease dates and its mixed-Act treatment are retained as cautions; comprehensive later treatment and current-law mapping remain unverified.

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

PROPOSITION-SPECIFIC SOURCE PARAGRAPHS AND PDF PAGES

1.

Topic: Decision date, complete appeal range and certificate route

Source url: [Open cited source](#)

Pdf pages: 1; 3

Paragraphs: Unnumbered judicial text; physical PDF pages one-based

Source role: reported metadata and judicial text

2.

Topic: AYs, sums, mixed-Act acknowledgement and questions

Source url: [Open cited source](#)

Pdf pages: 3; 4

Paragraphs: Judicial paragraphs 1–3

Source role: judicial text

3.

Topic: Reopening issue not pursued; wider revived-claims issue expressly not decided

Source url: [Open cited source](#)

Pdf pages: 5

Paragraphs: Judicial paragraph 4

Source role: judicial text

4.

Topic: Former statutory formula, concession and complete covenant

Source url: [Open cited source](#)

Pdf pages: 5; 6

Paragraphs: Judicial paragraphs 5–6

Source role: judicial text

5.

Topic: Repair/reconstruction distinction and covenant-specific conclusion

Source url: [Open cited source](#)

Pdf pages: 6; 7

Paragraphs: Judicial paragraphs 6–7

Source role: judicial text

6.

Topic: All appeals dismissed without costs order

Source url: [Open cited source](#)

Pdf pages: 8

Paragraphs: Printed judicial paragraph 9

Source role: judicial text

OTHER GOVERNING STATUTES

Indian Income-tax Act, 1922: corresponding repair-deduction provisions acknowledged in the judicial text, without individual year-to-provision allocation

JUDICIAL AUTHORSHIP AND SEPARATE OPINIONS

M.N. Venkatachaliah, J.

ACT IDENTIFIED IN THE REVIEWED SOURCE

Income-tax Act, 1961

HISTORICAL STATUTORY VERSION AND TEMPORAL LIMITS

Operative scheme: The Court expressly construes former section 24(1)(i)(a)/(b) of the 1961 Act, while acknowledging that some stated historical years are governed by corresponding 1922 Act provisions and treating their similarity as sufficient for this issue. The case is an independent 1961 Act provision interpretation, not an editorial-only cross-reference.

Source pin: Judicial paragraphs 2–3 on physical pages 3–4/SCR 89–90 and paragraphs 5–7 on pages 5–7/SCR 91–93.

Formula as reported: Under former clause (b), the permitted repair allowance was the lesser of annual value minus annual rent payable and one-sixth of annual value. The parties did not dispute the Rs 4,000 computation if clause (b) applied.

Limit: The precise allocation of the stated AYs between the Acts and transitional route are not supplied by the judgment and are not reconstructed. The historical clause structure and one-sixth formula are not presented as a current deduction.

SOURCE & VERIFICATION

[Hon'ble Supreme Court source PDF \(reported judgment\)](#)

Identified source rendition: 8 PDF pages; SHA-256

f37da9f3015a6d6bfe6e87833d19410d9e0daded97674ade516024b64ac16529. Original bytes preserved.

Editorial headnote and reported proceedings occupy physical pages 1–3/SCR 87–89. Complete Venkatachaliah J. judgment begins on physical page 3/SCR 89 and ends on physical page 8/SCR 94; the printed numbered sequence reaches paragraph 7 and then paragraph 9, without a separate printed paragraph 8. Lease and treatise/precedent quotations distinguished. No adjacent judgment.

[Open cited source rendition](#)

Decision date is 27 November 1987 on physical page 1; 1988 in the asset identifier and SCR citation is the report year, not the decision year.; Judicial paragraph 2 (physical page 3/SCR 89) gives the lease date as 30 May 1952; paragraph 6 (physical page 5/SCR 91) introduces its covenant as from a lease dated 9 September 1952. The underlying lease has not been obtained; neither date is silently preferred.; The page 1 editorial headnote labels the reassessment deduction under clause (a), whereas judicial paragraph 2 on physical page 4 identifies the limited Rs 4,000 allowance under clause (b). The judicial text controls.; The headnote describes special leave, but the reported docket and judicial opening identify three appeals by certificate; the note follows the judicial opening and preserves the full appeal range.; The stated AYs precede the 1961 Act's ordinary first assessment year, yet the Court itself acknowledges corresponding 1922 provisions and expressly decides former section 24. No individual year-to-Act allocation or transitional reconstruction is invented.; The printed paragraph sequence moves from 7 to 9. Pinpoints use the printed numbering and physical pages rather than inventing a paragraph 8.

STATUTORY SCOPE

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

LATER TREATMENT

Source checked 2026-10-04. Comprehensive subsequent judicial and statutory treatment has not been verified. Only expressly identified bounded primary-source comparisons have been checked; no current-law certification.

IDENTIFIED SOURCE LINKS

[reported judgment - PDF pages: 8](#)

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