

Devi Cine Projector Manufacturing Co. and connected appellants v. Commissioner of Income Tax

Civil Appeal Nos. 1185-1188 (NT) of 1990

[1990] 1 SCR 268 | 1990-02-05

Partner-interest disallowance: Tribunal remand following Keshavji Ravji, avoiding a redundant reference cycle.

Income-tax Act, 1961: sections 40(b), 256(1), 256(2) | Constitution of India: Article 136

3-judge bench | M. N. Venkatachaliah, J. | N. D. Ojha, J. | J. S. Verma, J.

Assessment years: See the source-scope notes; no year inferred.

Historical statutory context

Historical section 40(b) partner-interest dispute. Apply the provision governing the relevant assessment year; no mapping to the Income-tax Act, 2025 is inferred.

Scope of decision

These are separate appeals following Keshavji Ravji, not an alternate copy of that judgment. Relief is a remand, not quantified deletion of every interest payment.

01 FACTS OF THE CASE

The Tribunal, in Revenue appeals, treated the entire interest paid by firms to their partners as disallowable under section 40(b), without setting off interest paid by those partners on borrowings from the firms. It declined references under section 256(1). The Madras High Court rejected the assessee's section 256(2) applications, relying on O.M.S.S. Sankaralinga Nadar & Co. Four special-leave petitions challenged those refusals.

Source: [Judgment paras 1-2; SCR pp. 269-270 / PDF pp. 2-3](#)

02 DISCUSSION BY THE HON'BLE COURT

The Court held that its decision in Keshavji Ravji & Co. covered the point and undermined the earlier High Court approach. Ordinarily the Court would remit the reference applications to the High Court, which would direct the Tribunal to state a case before the reference returned for disposal. With the legal issue settled, that sequence would be an avoidable formality. The Court instead treated the petitions as directed against the Tribunal's main appellate orders and granted leave.

Source: [Judgment paras 3-5; SCR pp. 270-271 / PDF pp. 3-4](#)

03 JUDICIAL DECISION

The Tribunal's section 256(1) orders and the High Court's orders in Tax Case Petitions 739/1985, 313/1985, 260/1984 and 42/1986 were set aside. The Tribunal's appellate orders were also set aside only insofar as they concerned the extent of section 40(b) interest disallowance. Those appeals were remitted to the Tribunal for fresh disposal on that point in light of Keshavji Ravji. No order as to costs.

Source: [Judgment paras 5-6; SCR p. 271 / PDF p. 4](#)

04 OUTCOME / IN WHOSE FAVOUR

The assessee obtained procedural and appellate relief through a fresh Tribunal determination. The Court did not itself quantify the permissible netting or delete the full interest disallowance in these cases.

Source: [Judgment paras 4-6; SCR pp. 270-271 / PDF pp. 3-4](#)

05 AKHB REVIEW POINT

AKHB analysis: distinguish the governing precedent from the separate appeals that apply it. For historical partner-interest computations, establish the mutuality and connection with partnership funds required by Keshavji Ravji rather than assume every cross-payment qualifies. When the law is settled, seek precise consequential relief and identify the limited issue remitted; this decision does not dispense generally with statutory appellate procedures.

Source: [AKHB analysis based on judgment paras 3-6; SCR pp. 270-271 / PDF pp. 3-4](#)

SOURCE & VERIFICATION

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

Complete four-page SCR report read, including substantive judgment and operative order.

[Open cited source rendition](#)

Full source PDF read and SHA-256 matched the source catalogue. Public eSCR mirror; not a certified copy.

Distinct docket and operative order verified against the suggested published match; title/date similarity was not accepted as identity.

Assessment years are not specified in this four-page report; none inferred.

Official JUDIS primary source corroboration located at <https://api.sci.gov.in/jonew/judis/7669.pdf>; note is based on full SCR source.

STATUTORY SCOPE

Historical section 40(b) partner-interest dispute. Apply the provision governing the relevant assessment year; no mapping to the Income-tax Act, 2025 is inferred.

LATER TREATMENT

Source checked 2026-10-10. Subsequent treatment has not been comprehensively verified. No current-law or citator clearance is represented.

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