

Saharanpur Electric Supply Co. Ltd. etc. v. Commissioner of Income-tax etc.

Civil Appeal No. 1861 of 1977 and connected appeals

[1992] 1 SCR 117 | 1992-01-15

For AY 1962-63 and later, must consumer contributions be removed from the actual cost of service lines acquired under the 1922 Act when computing their WDV under the 1961 Act, or must the earlier depreciation sheets continue unchanged?

43(1) | 43(6)(a) | 43(6)(b) | 32 | 34(2)(i)

Two-judge bench | S. Ranganathan, J. | N.D. Ojha, J.

Assessment years: 1962-63

Historical WDV ruling: prospective recomputation and source-numbering cautions

Saharanpur applies the 1961 Act's cost definition to AY 1962-63 and later, including older service lines. It does not reopen earlier years or create negative WDV. The report contains material subsection/year slips, including 34(3) for the depreciation cap and 1989 for Explanation 8; separately identified official historical text supplies the limited checks. Only the lead docket and AY 1962-63 are enumerated. Sale figures are hypothetical. Later treatment and current law remain unverified; do not apply this individual-asset ruling mechanically to later block provisions or the 2025 Act.

01 FACTS OF THE CASE

The appellant electricity undertakings had installed service lines and recovered part of the installation expenditure from consumers. Their appeals concerned AY 1962-63 or later, after the 1961 Act commenced on 1 April 1962. Treatment of connections newly installed in the relevant previous year was undisputed: consumer contributions reduced their actual cost under section 43(1). The controversy concerned older service lines, whose cost and WDV had already been calculated under the 1922 Act (physical pages 9–11).

Under the earlier law, the 1953 amendment effective from 1 April 1952 permitted a reduction for amounts met by Government or a public/local authority. The 1961 definition extended the reduction to cost met directly or indirectly by any other person or authority. The Department accordingly recomputed the older lines' actual cost excluding consumer contributions, then deducted depreciation actually allowed in earlier years. The undertakings sought continuation of their earlier, higher cost/WDV figures. The High Courts upheld the Department; the lead appeal arose from the Allahabad High Court's 27 August 1976 order (physical pages 8, 10–12). No undertaking-by-undertaking monetary computation is supplied.

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

02 DISCUSSION BY THE HON'BLE COURT

Section 43(6) separately addresses assets acquired during the previous year and assets acquired before it. For the latter, the statutory computation still starts with actual cost and then deducts depreciation actually allowed. The Assessing Officer must determine that cost under the facts and law relevant to the assessment, even though the result will ordinarily equal the prior WDV less the preceding year's allowance. The 1961 Act did not compel adoption of a cost figure determined under the repealed Act (physical pages 12–15).

The Court rejected a restriction of cost adjustments to later factual discoveries, arithmetic mistakes or expressly retrospective legislation. Cost may also change prospectively, as illustrated by later acquisition liabilities, exchange movements and additional capital expenditure. Its discussion of Hides & Leather expressly left aside the challenge to that decision's treatment of the original cost; it relied only on the illustration that a later development can change cost for future assessments (physical pages 14–17).

Applying the new definition to AY 1962-63 and later did not retrospectively revise earlier allowances. The Revenue was not seeking to apply the lower cost to completed computations for previous years. A statute is not retrospective merely because some facts needed for its future operation arose earlier. Nor did acquisition confer an immutable right to write off the original tax cost. The depreciation cap prevents further allowance when the recomputed cost has already been exhausted; it does not create negative WDV or a negative depreciation amount to diminish allowances on other assets (physical pages 18–21).

The words concerning cost already met by another person fit the annual statutory computation and do not confine section 43(1) to new acquisitions. The Court rejected the asserted explanation-related anomalies. In the fully third-party-funded asset illustration, it explained that the hypothetical sale amounts would be capital gains rather than balancing charges. That response supported the consistency of the interpretation; it was not an assessment of an actual sale by any appellant (physical pages 22–23).

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

03 JUDICIAL DECISION

The Court agreed with the several High Courts and dismissed the appeals. For the disputed post-commencement assessments, actual cost of the older service lines had to reflect consumer contributions under section 43(1), with WDV then computed under section 43(6). Its conclusion neither reopened earlier assessment years nor directed recovery through negative WDV. The operative closing contains no express costs direction (physical page 23, read with pages 18–20).

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

04 OUTCOME / IN WHOSE FAVOUR

In whose favour: Revenue

All appeals dismissed; the several High Courts' interpretation upheld

Final common merits ruling on post-1961-Act actual-cost and WDV computation

AY 1962-63 or later under the historical individual-asset provisions. No reopening order for earlier years, case-specific sale computation, negative-WDV recovery, or current block-of-assets holding.

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

05 AKHB REVIEW POINT

For a legacy depreciation dispute, separate the acquisition date, the governing assessment-year statute, contributions toward the cost and depreciation actually allowed. An earlier depreciation schedule is evidence of past computation; it does not freeze the statutory cost base for every future year. At the same time, the judgment's prospective application must not be recast as permission to reopen closed assessments without an independent power and its conditions.

Keep the ceiling explanation with the holding: the Court stops further depreciation once the revised cost is exhausted, rather than creating negative WDV to offset depreciation on unrelated assets. Treat the sale figures and foreign-currency examples as illustrations, not findings on the appellant companies' transactions. The source's subsection and amendment-year anomalies require the bounded statutory cautions below.

The later Gwalior Rayon passage says Saharanpur is consistent with prospectivity and with the qualified principle of respecting settled interpretations. That narrow reference does not establish comprehensive later approval. Later block-of-assets provisions and any current statute need their own governing-year analysis; no automatic 2025 Act carryover is supplied.

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

PROPOSITION-SPECIFIC SOURCE PARAGRAPHS AND PDF PAGES

1.

Topic: Identity, lead appeal and judicial opening

Source url: [Open cited source](#)

Pdf pages: 1; 8; 9

Paragraphs: SCR 117, 124–125; caption, proceeding details and author

Source role: reported metadata and judicial text

2.

Topic: Historic statutory transition and disputed older assets

Source url: [Open cited source](#)

Pdf pages: 9; 10; 11; 12

Paragraphs: SCR 125–128; unnumbered judicial text

Source role: judicial text

3.

Topic: Annual actual-cost determination and limits of cited illustrations

Source url: [Open cited source](#)

Pdf pages: 13; 14; 15; 16; 17

Paragraphs: SCR 129–133; unnumbered judicial reasoning

Source role: judicial text

4.

Topic: Prospective application, no immutable cost right and no negative WDV

Source url: [Open cited source](#)

Pdf pages: 18; 19; 20; 21

Paragraphs: SCR 134–137; unnumbered judicial reasoning

Source role: judicial text

5.

Topic: Language, asserted anomalies, disposal illustration and common dismissal

Source url: [Open cited source](#)

Pdf pages: 22; 23

Paragraphs: SCR 138–139; unnumbered final reasoning and order

Source role: judicial text

6.

Topic: Bounded later express reference

Source url: [Open cited source](#)

Pdf pages: 1; 5; 13; 14

Paragraphs: SCR 1017, 1021, 1029–1030; reference to Saharanpur at 1030 A–B

Source role: bounded later judicial text

7.

Topic: Source subsection mismatch

Source url: [Open cited source](#)

Pdf pages:

Paragraphs: 1985 compilation: section 34(2)(i), contrasted with opening of 34(3)(a)

Source role: bounded historical statutory text

8.

Topic: Actual-cost explanations and later block-of-assets caution

Source url: [Open cited source](#)

Pdf pages:

Paragraphs: 1991 compilation: 43(1) Explanations 2, 4, 6, 8; 43(6)(c); notes 37 and 41

Source role: bounded historical statutory text

OTHER GOVERNING STATUTES

1.

Act: Indian Income-tax Act, 1922

Sections: 10(2)(vi); 10(5); 10(2)(vi) proviso (c)

Role: Predecessor depreciation, actual-cost definition and depreciation ceiling; not the operative Act for the AY 1962-63-and-later claims.

2.

Act: Income-tax (Amendment) Act, 1953

Sections:

Role: As described in the judgment, the amendment effective 1 April 1952 reduced cost for contributions from Government or a public/local authority; the 1961 Act broadened the category to any person or authority.

JUDICIAL AUTHORSHIP AND SEPARATE OPINIONS

S. Ranganathan, J.

ACT IDENTIFIED IN THE REVIEWED SOURCE

Income-tax Act, 1961

SPECIFIED STATUTORY CHECKS AND THEIR LIMITS

Status: selected historical text and annotations checked

Summary: The 1985 official-hosted compilation places the aggregate-depreciation cap at section 34(2)(i). The 1991 section 43 compilation places the actual-cost explanations in subsection (1), identifies Explanation 8 as inserted by Finance Act 1986 retrospectively from 1 April 1974, and records block-of-assets clause 43(6)(c) from 1 April 1988. These checks identify source anomalies and prevent automatic carryover; they are not a full statutory history or current-law certificate.

Sources: <https://www.incometaxindia.gov.in/w/section-34-44>; <https://www.incometaxindia.gov.in/w/section-43-8>

APPEAL GROUPING AND SOURCE LIMITS

One common judgment: True

Lead appeal: Civil Appeal No. 1861 of 1977

Origin: Allahabad High Court order dated 27 August 1976 in Income Tax Reference No. 271 of 1973; connected appeals challenge the same computation principle from several High Courts.

Completeness note: The source caption gives the lead appeal followed by etc. etc.; it does not enumerate all connected Supreme Court appeal numbers. The list of High Court precedents is not treated as a complete party or docket list.

Relief groups

1.

Group: All appellant electricity undertakings in the common judgment

Result: Appeals dismissed; several High Courts' interpretation upheld

ROLE AND SCOPE OF EACH IDENTIFIED PROVISION

1.

Section: 43(1); 43(6)(a)–(b)

Role: Principal actual-cost and written-down-value rules, reproduced at physical page 9. Old assets under clause (b) are the disputed category; clause (a) new assets are common ground.

2.

Section: 32; historical 34(2)(i)

Role: Depreciation and aggregate-cost cap context. The report repeatedly prints 34(3) when describing the depreciation cap; bounded official historical text locates that cap in 34(2)(i), whereas 34(3) addresses development rebate. The discrepancy is not silently corrected in source quotations.

3.

Section: 32(1)(iii); 41(2)

Role: Used in counsel's disposal hypothetical and the Court's response on page 23; no actual disposal transaction was assessed by this judgment.

4.

Section: 43A; 43(1) Explanation 8

Role: Illustrations of subsequent changes to cost, not separately adjudicated exchange-loss or interest claims. The source's Explanation 8 insertion-year discrepancy is stated below.

5.

Section: Actual-cost Explanations 2, 4 and 6

Role: Source pages 22–23 refer to them as explanations to 43(6). Their gift/reacquisition/parent-subsidiary actual-cost subject matter appears in 43(1) in the separately checked 1991 statutory compilation; do not use the report's cross-reference as a verified provision map.

OPERATIVE 1961 ACT PROVISIONS

43(1); 43(6)(b)

SPECIFIED LATER JUDICIAL CHECK AND ITS LIMITS

Status: specific passage checked only

Case: Commissioner of Income-tax, Bombay v. Gwalior Rayon Silk Manufacturing Co. Ltd.

Decision date: 1992-04-29

Summary: The Court stated that Saharanpur's ratio did not conflict with its qualified respect for settled interpretations and was consonant with its prospectivity discussion. This is the proposition actually checked; no general subsequent-treatment conclusion is drawn.

Source url: [Open cited source](#)

Pdf pages: 13; 14

Full later judgment read: False

SOURCE & VERIFICATION

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

Identified source rendition: 23 PDF pages; SHA-256

a99893e92d0fc59bbabfe4717bf3d3c736cc2107b9e8998880143e9fe2407aa3. Original bytes preserved.

Judicial delivery line at physical page 8/SCR 124; complete unnumbered opinion of S. Ranganathan J. from page 9/SCR 125 through common dismissal on page 23/SCR 139. Editorial headnotes and proceeding details on pages 1–8 separately read. No adjacent judgment included.

Open cited source rendition

SCR report citation verified from the PDF. Gwalior Rayon later identifies this decision as [1992] 194 ITR 294 on its physical page 14; that is a bounded later-source citation, not a separately checked ITR report. Repository identifier 1992INSC8 is not promoted to a source-printed neutral citation.

The judicial opening expressly says AY 1962-63 or later. Later appealed years are not enumerated. AY 1961-62 and earlier concern historic depreciation; the 1959-60 to 1963-64 figures in the sale illustration are hypothetical, not additional identified appeal years.

Physical page 11 prints “1963 Act” in a discussion consistently concerned with the Income-tax Act, 1961. The original is unchanged; the note identifies the governing Act from the reproduced provisions and context; The report repeatedly identifies the aggregate-depreciation cap as section 34(3). The separately read official 1985 section 34 compilation locates it in 34(2)(i); 34(3) is the development-rebate restriction. This numbering discrepancy is expressly disclosed; Physical pages 12 and 22–23 contain additional cross-reference anomalies: 43(5) in the old/new-asset argument and “Explanations 2, 4 and 6 to 43(6)”. The quoted principal definition is 43(6); the discussed actual-cost explanations are shown under 43(1) in the checked 1991 compilation. No erroneous section map is inferred; Physical page 15 actually prints an Explanation 8 insertion year of 1989. The official historical section 43 annotation records Finance Act 1986, retrospective from 1 April 1974. Explanation 8 is an illustration here, not the provision governing the service-line claim; The Court expressly declined to examine the challenged aspect of Hides & Leather concerning alteration of original cost (physical page 16). Do not treat its quotation as wholesale approval of every proposition in that case; Printed illustrations of acquisition, sale, depreciation and foreign exchange are hypothetical. They are not amounts or additional assessment years established for the parties; The final judgment dismisses the appeals without an express costs direction; no no-costs order is inferred. All paragraph pins are physical PDF/SCR pages because judicial paragraphs are unnumbered.

STATUTORY SCOPE

Historical 1961 Act context only. No automatic mapping to the Income-tax Act, 2025, comprehensive later-law audit, or present compliance certification.

LATER TREATMENT

Source checked 2026-10-04. Comprehensive later treatment remains not_verified. Only Gwalior Rayon, decided 29 April 1992, physical pages 13–14/SCR 1029–1030, was read for its express narrow reference to Saharanpur; cover and proceeding/opening pages 1 and 5 were also checked. No complete later-citation, review, stay, reversal or present-law search is certified.

IDENTIFIED SOURCE LINKS

reported judgment - PDF pages: 23

SHA-256: a99893e92d0fc59bbabfe4717bf3d3c736cc2107b9e8998880143e9fe2407aa3

bounded later judicial source - PDF pages: 14

SHA-256: 2c21b0f11a7d69964b1a862dddfcc770190b35b9c5eb3c061d54c7ed3c5de872

bounded historical statutory compilation

SHA-256: 4fae027f69855fff3abfeb8d638255c676fc301a093cc789e9aaf1e23c4dd1a9

bounded historical statutory compilation

SHA-256: 3f10651692046f5ca071c5dd45879937b062de7ba5392bb0c509663aff9eba46

[Related note: Commissioner of Income Tax, Bombay v. Gwalior Rayon Silk Manufacturing Co. Ltd.](#)

AI DISCLOSURE

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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