

Commissioner of Income Tax, Bombay v. Gwalior Rayon Silk Manufacturing Co. Ltd.

Civil Appeal No. 2916 (NT) of 1980 / Civil Appeal No. 1194 of 1977 / Civil Appeal No. 2978 of 1989 / Civil Appeal No. 5535 of 1990 / Civil Appeal No. 1404 of 1991

[1992] 2 SCR 1017 | 1992-04-29

Whether roads linking or providing access to factory buildings, and integral factory drains, qualify as buildings for section 32 depreciation in years preceding the 1983 rules amendment, and whether plant treatment or prospective amended rates change that result.

32 | 256(1) | 256(2) | 263 | 80-I

Two-judge bench | N.M. Kasliwal, J. | K. Ramaswamy, J.

Assessment years: 1963-64, 1972-73, 1973-74, 1977-78

Factory buildings, historical rates and split appeal outcomes

This decision allows section 32 building depreciation for factory-link/approach roads and integral drains; it does not allow depreciation on bare land or approve plant rates for those roads. The 1983 prescribed rates remain prospective, although roads were included in buildings for earlier years. Gwalior's development-rebate claim and the separate section 80-I question were not decided. Four Revenue appeals were dismissed, but IDL Chemicals was partly allowed with building-classification computation directed. The source also prints 5535/1990 and 5553/1990 for one companion appeal. No current-law or 2025 Act conclusion is supplied; later treatment remains not_verified.

01 FACTS OF THE CASE

Five Revenue appeals were decided together. In the lead Gwalior Rayon appeal for AY 1963-64, the company claimed depreciation on the written-down value of roads constructed as part of its factory premises. It had also claimed development rebate on internal transport, but the Supreme Court's leave was expressly confined to the roads-depreciation question. The Tribunal allowed depreciation; the Bombay High Court declined a section 256(2) reference on that issue (physical pages 5-6 and 9).

Electro Metallurgical's appeal concerned roads connecting factory buildings and the outside road. Two Hindustan Aeronautics appeals concerned roads and drains for AYs 1977-78 and 1973-74; the latter involved a Rs 15,50,526 disallowance following section 263 revision. In IDL Chemicals, the Tribunal had treated roads as plant. Its reference included AY 1972-73 and a separate question concerning written-down value and additions, on which the High Court had already answered for Revenue (physical pages 6-9).

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

02 DISCUSSION BY THE HON'BLE COURT

The Court read section 32 in its depreciation context: capital assets used in business wear out, and depreciation contributes to computing net taxable income. Roads within the factory that link buildings or provide their approach are necessary adjuncts to those buildings; integral drains enable their convenient enjoyment. Their construction expenditure is therefore depreciable as buildings. This does not make bare land depreciable: *Alps Theatre* concerned the land itself and did not decide the present roads issue (physical pages 11–14).

The Court adopted the factory-roads approach reflected in *Colour Chem*, *Lucas-TVS* and the other High Court decisions discussed. It rejected *Coromandel Fertilisers*' contrary classification of roads as plant for the plant rate. The past dismissals of special-leave petitions mentioned in that discussion are reported procedural history; they do not substitute for this judgment's own section 32 reasoning (physical pages 12–13).

The Income-tax (Fourth Amendment) Rules, 1983, effective 2 April 1983, prescribed rates prospectively. That did not imply that factory roads were excluded from buildings before that date. The amendment accepted the established inclusion of roads and addressed the rate controversy. Depreciation must still be computed under the Act and the applicable Appendix rules; the judgment does not apply a later numerical rate retrospectively (physical pages 13–14).

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

03 JUDICIAL DECISION

For *Gwalior Rayon* and *Electro Metallurgical*, the Court held the proposed references unnecessary in view of the settled section 32 position and dismissed Civil Appeal Nos. 2916/1980 and 1194/1977 without costs. It separately dismissed the two *Hindustan Aeronautics* appeals, Nos. 2978/1989 and 5535/1990, without costs. Civil Appeal No. 1404/1991, *IDL Chemicals*, was partly allowed: the ITO was directed to compute roads as buildings and allow depreciation accordingly, with each side bearing its own costs (physical page 14).

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

04 OUTCOME / IN WHOSE FAVOUR

In whose favour: Assessee on eligibility for building depreciation; Revenue partly succeeds in *IDL* on building rather than plant treatment

Four Revenue appeals dismissed; *IDL Chemicals* appeal partly allowed with building-depreciation computation directed; no costs awarded

Final substantive interpretation of section 32, with distinct orders for the grouped appeals

No blanket plant-rate allowance, depreciation on bare land, separate development-rebate decision, retrospective amended rate, or independent section 263 holding. *IDL*'s second High Court answer was already for Revenue; the Supreme Court did not convert it into assessee relief.

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

05 AKHB REVIEW POINT

Separate asset eligibility from asset classification and the rate applicable to the particular year. Evidence that a road links or provides approach to factory buildings, or that a drain is integral to their enjoyment, supports this historical building-depreciation holding. It does not establish that every road is plant or that bare land depreciates.

Also separate the five appeal outcomes. The general reporter tailpiece "Appeals dismissed" is incomplete for IDL Chemicals, whose appeal was partly allowed with a specific building-classification direction. Development rebate and section 80-I references belong to the procedural history, not the operative roads-and-drains holding.

The 1983 amendment's prospective rates and the pre-existing scope of buildings are different questions. Apply the correct historical statutory and rules version, establish the factual connection to the factory, and verify subsequent treatment independently. No automatic current-law or Income-tax Act, 2025 mapping is certified.

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

PROPOSITION-SPECIFIC SOURCE PARAGRAPHS AND PDF PAGES

1.

Topic: Decision date, bench and section 32 identification

Source url: [Open cited source](#)

Pdf pages: 1

Paragraphs: SCR 1017; cover and editorial heading

Source role: reported metadata

2.

Topic: Five-appeal metadata, author and confined Gwalior leave

Source url: [Open cited source](#)

Pdf pages: 5; 6

Paragraphs: SCR 1021D–1022C; metadata followed by judicial opening

Source role: judicial text

3.

Topic: Electro Metallurgical history and separate section 80-I question

Source url: [Open cited source](#)

Pdf pages: 6; 7

Paragraphs: SCR 1022D–1023E; unnumbered judicial history

Source role: judicial text

4.

Topic: Hindustan Aeronautics AYs, revision history and numbering discrepancy

Source url: [Open cited source](#)

Pdf pages: 7; 8

Paragraphs: SCR 1023E–1024E; unnumbered judicial history

Source role: judicial text

5.

Topic: IDL questions and correction; lead AY 1963-64

Source url: [Open cited source](#)

Pdf pages: 8; 9

Paragraphs: SCR 1024F–1025G; unnumbered judicial history

Source role: judicial text

6.

Topic: Competing submissions, including prospective amendment contention

Source url: [Open cited source](#)

Pdf pages: 9; 10

Paragraphs: SCR 1025H–1026F

Source role: party submissions

7.

Topic: Court's section 32 approach, distinction of bare land and factory-road authorities

Source url: [Open cited source](#)

Pdf pages: 10; 11; 12

Paragraphs: SCR 1026G–1028H; unnumbered judicial reasoning

Source role: judicial text

8.

Topic: Buildings rather than plant; 1983 amendment and prospective rates

Source url: [Open cited source](#)

Pdf pages: 13; 14

Paragraphs: SCR 1029B–1030B; unnumbered judicial reasoning

Source role: judicial text

9.

Topic: Final factory-road/drain rule and each grouped operative order

Source url: [Open cited source](#)

Pdf pages: 14

Paragraphs: SCR 1030C–G; separate operative paragraphs

Source role: judicial text

OTHER GOVERNING STATUTES

1.

Act: Income-tax Rules, 1962, Appendix I, as amended by the Income-tax (Fourth Amendment) Rules, 1983

Role: Historical inclusion of roads and other listed structures within buildings and prescribed depreciation rates. The judgment identifies 2 April 1983 as the effective date and preserves prospective rates while rejecting exclusion of roads in earlier years.

2.

Act: Indian Income-tax Act, 1922

Sections: 10(2); 10(2)(iv)

Role: Earlier decisions on depreciation, bare land, and factory roads discussed as interpretive authorities; not the operative Act for these appeals.

JUDICIAL AUTHORSHIP AND SEPARATE OPINIONS

K. Ramaswamy, J.

ACT IDENTIFIED IN THE REVIEWED SOURCE

Income-tax Act, 1961

APPEAL GROUPING AND SOURCE LIMITS

Single judgment: True

Appeal count: 5

Lead appeal: Civil Appeal No. 2916 (NT) of 1980

Origin: Lead appeal: Bombay High Court order dated 9 March 1979 in I.T.A. No. 43 of 1979; special leave granted 5 December 1980 confined to depreciation on factory roads.

Appeals

1.

Case number: Civil Appeal No. 2916 (NT) of 1980

Assessee: Gwalior Rayon Silk Manufacturing Co. Ltd.

Assessment years: 1963-64

Result: Revenue appeal dismissed; reference unnecessary; no costs

Source pages: 5; 6; 9; 14

2.

Case number: Civil Appeal No. 1194 of 1977

Assessee: Electro Metallurgical Works Pvt. Ltd.

Assessment years:

Result: Revenue appeal dismissed; reference unnecessary; no costs

Source pages: 6; 7; 14

Note: Assessment year not supplied. Printed history states High Court order dated 17 June 1979 despite appeal number of 1977; no correction inferred.

3.

Case number: Civil Appeal No. 2978 of 1989

Assessee: Hindustan Aeronautics Ltd.

Assessment years: 1977-78

Result: Revenue appeal dismissed; no costs

Source pages: 7; 8; 14

4.

Case number: Civil Appeal No. 5535 of 1990

Assessee: Hindustan Aeronautics Ltd.

Assessment years: 1973-74

Result: Revenue appeal dismissed; no costs

Source pages: 5; 8; 14

Note: Grouping and final order print 5535/90; intermediate heading at physical page 8 prints 5553/1990. This inconsistency is retained rather than silently resolved.

5.

Case number: Civil Appeal No. 1404 of 1991

Assessee: I.D.L. Chemicals Ltd.

Assessment years: 1972-73

Result: Revenue appeal partly allowed; ITO to compute roads as buildings and allow depreciation accordingly; parties bear own costs

Source pages: 8; 9; 14

Note: AY 1972-73 is stated in the second referred question; AY 1971-72 occurs in its account of additions. The Court corrects the SLP's claim that both High Court answers favoured the assessee.

ROLE AND SCOPE OF EACH IDENTIFIED PROVISION

1.

Section: 32

Role: Operative interpretation: factory-link/approach roads and integral drains are buildings for depreciation. No subsection or numerical depreciation rate is specified in the holding.

2.

Section: 256(1)

Role: Reference applications in the grouped procedural histories; no independent construction of the reference provision.

3.

Section: 256(2)

Role: High Court reference route, including refusal to call for a reference in the lead appeal. Final order considers a reference unnecessary because the section 32 position is settled; no separate jurisdiction test announced.

4.

Section: 263

Role: Revision in the historical AY 1973-74 Hindustan Aeronautics proceedings; validity or scope of section 263 not independently decided.

5.

Section: 80-I

Role: First proposed Electro Metallurgical reference question concerning development rebate in computing relief, expressly outside the Court's present concern at physical page 7. The print is 80-I; no broader holding inferred.

OPERATIVE 1961 ACT PROVISIONS

32

SOURCE & VERIFICATION

Hon'ble Supreme Court source PDF (reported judgment)

Identified source rendition: 14 PDF pages; SHA-256

2c21b0f11a7d69964b1a862dddfcc770190b35b9c5eb3c061d54c7ed3c5de872. Original bytes preserved.

Complete unnumbered judicial text from physical page 5/SCR 1021, K. Ramaswamy J. opening, through the three separate operative paragraphs on physical page 14/SCR 1030. Editorial headnote and appeal metadata on physical pages 1–5 separately read. No adjacent judgment included.

Open cited source rendition

Civil Appeal 5535/1990 appears in the grouped appeal metadata and final order, while the intermediate Hindustan Aeronautics heading on physical page 8 prints 5553/1990. The original is unchanged and both forms are recorded.; Electro Metallurgical's printed Civil Appeal 1194/1977 history gives a High Court order dated 17 June 1979 at physical page 7. The chronology is not reconciled by inventing a corrected year.; The final reporter tailpiece says Appeals dismissed, but the judicial operative paragraph expressly partly allows IDL Chemicals, Civil Appeal 1404/1991. The operative paragraph controls.; The Court expressly corrects the IDL SLP's assertion that both questions were answered for the assessee: the second High Court answer was against the assessee. No contrary relief or fresh computation on that separate question is invented.; Gwalior's earlier AY 1962-63 decision and IDL's reference to additions for AY 1971-72 are not separately allocated appeal years. No assessment year is supplied for Electro Metallurgical.; Special leave in Gwalior was confined to factory-road depreciation. The development-rebate claim and Electro Metallurgical section 80-I question are not independently decided here; section 33 is not inserted merely because development rebate is mentioned.; The judgment preserves the prospective application of the 1983 prescribed rates, while holding roads included in buildings for the earlier periods. It specifies no universal numerical rate.; The source uses variant spellings for some cited High Court cases; the note describes only the treatment visible in this judgment and does not certify the cited reports. Its headnote labels Coromandel Fertilisers overruled; the body expressly says its plant-classification view is not correct in law.; No paragraph numbers occur in this rendition; pinpoints use physical PDF pages and printed SCR pages.

Years are allocated to the appeal groups above. AY 1962-63 is earlier Gwalior precedent, and AY 1971-72 occurs as the year of additions in IDL's second question; neither is silently treated as a separate operative appeal year. Electro Metallurgical's year is not given.

STATUTORY SCOPE

Historical section 32 and Appendix I setting, including pre-1983 years and prospective amended rates. No automatic mapping to the Income-tax Act, 2025 or present-law certification.

LATER TREATMENT

Source checked 2026-10-04. No later-treatment review performed. Discussion of earlier authorities records this judgment's own reasoning only and is not a comprehensive subsequent-history check.

IDENTIFIED SOURCE LINKS

reported judgment - PDF pages: 14

SHA-256: 2c21b0f11a7d69964b1a862dddfcc770190b35b9c5eb3c061d54c7ed3c5de872

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