

Arvind Mills Ltd. v. Commissioner of Income Tax, Gujarat

Civil Appeal No. 1836 (NT) of 1977

[1992] 3 SCR 557 | 1992-07-21

Whether compulsory betterment charges for improvements enhancing the assessee's land were deductible revenue expenditure merely because the improvements also facilitated its textile business.

37 | 261

Two-judge bench | S. Mohan, J. | G.N. Ray, J.

Assessment years: 1972-73

Betterment-charge decision: preserve case identity, capital character and limited disposition

This 21 July 1992 Arvind Mills decision concerns AY 1972-73 land-betterment charges, not exchange fluctuations or development rebate. Capital treatment turned on improvement of the assessee's land; compulsory payment and business convenience did not make it revenue expenditure. The Tribunal had left the Rs 14,434 instalment deduction undisturbed, and the Supreme Court dismissed only the assessee's appeal without directing its withdrawal. No depreciation, capital-gains cost addition, interest deduction, current-law or 2025 Act conclusion is supplied. Later treatment remains not_verified.

01 FACTS OF THE CASE

Arvind Mills, a textile-mill company, claimed Rs 2,02,907 for AY 1972-73 as its contribution under section 66 of the Bombay Town Planning Act, 1954. The charge related to land improvements under a town-planning scheme. The company chose payment by instalments with interest and argued that its mercantile accounts entitled it to deduction of the entire amount (physical pages 3-4).

The ITO rejected the deduction. The Appellate Assistant Commissioner treated the expenditure as revenue but allowed only Rs 14,434, described as the instalment paid in the assessment year. The Tribunal treated the charge as capital, while expressly leaving that Rs 14,434 allowance undisturbed. On the assessee's reference the Gujarat High Court ruled against it, following Rohit Mills, and granted a certificate under section 261 (physical pages 3-4).

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

02 DISCUSSION BY THE HON'BLE COURT

The Court distinguished the parties' arguments from the nature of the expenditure. Roads, drainage and other improvements under the scheme increased the value and better enjoyment of the assessee's own land. Their incidental contribution to easier business operations did not convert that capital expenditure into revenue expenditure. Whether payment was voluntary or imposed by statute did not determine its character (physical pages 9–10).

L.H. Sugar Factory was distinguishable: the contribution there facilitated operations without acquiring a tangible or intangible right in the roads or adding to the assessee's capital assets. Mohanlal Har Govind concerned licences to procure tendu leaves, the raw material of the business, rather than a capital asset. The Court declined to follow the Madras High Court's reasoning in Dollar Company to overturn the Gujarat result. Its conclusion concerns this land-betterment charge, not a rule that all expenditure on roads or all compulsory levies is capital (physical page 10).

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

03 JUDICIAL DECISION

The Supreme Court upheld the Gujarat High Court's capital-expenditure conclusion and dismissed the assessee's appeal without any order as to costs. It neither granted the larger deduction nor directed withdrawal of the Rs 14,434 instalment deduction that the Tribunal had left undisturbed. No separate determination of interest deductibility or a new computation was made (physical pages 4 and 10).

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

04 OUTCOME / IN WHOSE FAVOUR

In whose favour: Revenue on the disputed claim

Assessee's appeal dismissed; capital-character conclusion sustained; no order as to costs

Final merits ruling on the betterment-charge claim

The pre-existing Rs 14,434 allowance was not disturbed in this appeal. The judgment does not independently decide depreciation, capital-gains cost of improvement, interest on instalments or validity of the town-planning levy.

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

05 AKHB REVIEW POINT

Identify what the payment improved and whether the advantage lay in the taxpayer's capital asset. Statutory compulsion, instalment payment and better business facilities do not by themselves supply a revenue deduction. Conversely, the Court's distinction of L.H. Sugar prevents treating every road or drainage contribution as capital.

Keep the merits conclusion separate from the procedural result: the assessee failed on the capital/revenue issue, but the preserved instalment allowance was not expressly reversed. Do not reconcile the printed instalment figures by arithmetic or turn this decision into authority for adding the charge to a capital-gains cost base or deducting its interest; those questions were not decided.

There are two different Arvind Mills decisions. The separately checked 10 December 1991 source, S_1991_3_303_324, concerns exchange-rate liability and section 43A. Its conclusions must not be imported into this 21 July 1992 note. Apply the applicable statutory version and independently verify subsequent treatment before reliance; no current-law or 2025 Act 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, judges and section 37 editorial identification

Source url: [Open cited source](#)

Pdf pages: 1

Paragraphs: SCR 557; cover and editorial statutory heading

Source role: reported metadata

2.

Topic: Author, appeal, AY, claim, certificate and preserved instalment allowance

Source url: [Open cited source](#)

Pdf pages: 3; 4

Paragraphs: SCR 559–560; unnumbered judicial opening

Source role: judicial text

3.

Topic: Parties' competing submissions and cited decisions

Source url: [Open cited source](#)

Pdf pages: 4; 5; 6; 7; 8; 9

Paragraphs: SCR 560–565; submissions end before the Court's concluding reasoning on page 9

Source role: party submissions

4.

Topic: Court's capital-asset reasoning and dismissal without costs

Source url: [Open cited source](#)

Pdf pages: 9; 10

Paragraphs: SCR 565–566; unnumbered final judicial reasoning and disposition

Source role: judicial text

5.

Topic: Different Arvind Mills source: exchange-cost identity only

Source url: [Open cited source](#)

Pdf pages: 1; 4; 5

Paragraphs: SCR 303, 306–307; cover, appeal metadata and judicial opening

Source role: separate judgment disambiguation

OTHER GOVERNING STATUTES

1.

Act: Bombay Town Planning Act, 1954

Sections: 66; 51; 53; 54; 55

Role: Section 66 identifies the betterment contribution; sections 51, 53–55 occur in counsel's statutory submissions. This income-tax appeal did not decide the validity of the levy.

JUDICIAL AUTHORSHIP AND SEPARATE OPINIONS

G.N. Ray, J.

ACT IDENTIFIED IN THE REVIEWED SOURCE

Income-tax Act, 1961

APPEAL GROUPING AND SOURCE LIMITS

Single judgment: True

Appeals included: Civil Appeal No. 1836 (NT) of 1977

Origin: Gujarat High Court, Income Tax Reference No. 197 of 1976, judgment dated 9/10 March 1977; certificate under section 261

ROLE AND SCOPE OF EACH IDENTIFIED PROVISION

1.

Section: 37

Role: Substantive capital-versus-revenue business-expenditure question; identified in the source headnote, with the entire judicial reasoning addressing that issue. The body does not reproduce section 37 or specify a subsection.

2.

Section: 261

Role: Appeal certificate expressly identified in the judicial text at physical page 4; no separate section 261 controversy decided.

OPERATIVE 1961 ACT PROVISIONS

37

SOURCE & VERIFICATION

Hon'ble Supreme Court source PDF (reported judgment)

Identified source rendition: 10 PDF pages; SHA-256

8d863eba694e159830a1dafd6b2b34d7f3e4d1ed9d45f09d02b7b6531e7b8294. Original bytes preserved.

Complete unnumbered judicial text from physical page 3/SCR 559, beginning G.N. Ray J., through dismissal and costs on physical page 10/SCR 566. Editorial headnote/metadata on pages 1–3 separately read. No adjacent judgment included.

Open cited source rendition

The repository's source ID 1992_3_557_566 identifies betterment charges. Exchange-cost/development-rebate subject matter belongs to S_1991_3_303_324, decided 10 December 1991; only that separate decision's identity pages were checked here.; The printed source records assessment of total income on 24 January 1973 and disallowance by order dated 25 January 1974. Their relationship is not explained; neither date is silently corrected or used to infer additional proceedings.; The source describes ten equal instalments with interest, total betterment charges of Rs 2,02,907, and Rs 14,434 paid during the relevant year. The latter is not one-tenth of the former. No corrected amount or separate interest computation is invented.; The editorial headnote compresses the disallowance. The judicial text expressly says the Tribunal did not interfere with the Rs 14,434 deduction; that detail controls the note's procedural account.; Section 37 is identified in the editorial statutory heading; the judicial body supplies the capital/revenue reasoning and expressly identifies section 261. A section 256 subsection is not inferred merely from the reference posture.; The Court declined to adopt Dollar Company's reasoning for this appeal. The note does not embellish that into a separately worded formal overruling declaration.; No paragraph numbers occur in this rendition; all pinpoints use physical PDF pages and SCR pages.

STATUTORY SCOPE

The section 37 capital/revenue issue is assessed in its AY 1972-73 statutory setting. No automatic mapping to the Income-tax Act, 2025 or present-law certification.

LATER TREATMENT

Source checked 2026-10-04. No comprehensive later-treatment search is certified. A bounded corpus title/phrase search exposed a different Arvind Mills judgment; only that source's identity pages were checked. This does not establish whether later courts followed, distinguished or overruled the betterment-charge decision.

IDENTIFIED SOURCE LINKS

reported judgment - PDF pages: 10

SHA-256: 8d863eba694e159830a1dafd6b2b34d7f3e4d1ed9d45f09d02b7b6531e7b8294

same party different judgment identity check - PDF pages: 22

SHA-256: 0e59b74816f3d298fec4692839956e1017a2c70de03df22a87ad92618829b949

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