

M/s Sri Venkata Satya Narayana Rice Mill Contractors Co. v. The Commissioner of Income-Tax, Andhra Pradesh-II

Civil Appeal Nos. 5623–24 of 1983 etc.

[1996] Supp. 7 SCR 767 | 1996-10-25

Whether business-connected contributions to a district public-welfare fund, associated with rice-export permits, were deductible under section 37(1) or disqualified as contrary to public policy.

37(1) | 256(1) | 80G (assessing officer's stated objection)

Two-judge bench | J.S. Verma, J. | B.N. Kirpal, J.

Assessment years: 1971-72, 1972-73

Lawful welfare contribution, not permission to deduct unlawful payments

The Court expressly found no bribe, private gratification or prohibited donation. Its quoted 1922 Act loss cases are not the present section 37 holding. Later section 37 restrictions were checked only in the identified 2024 statutory version; current law and comprehensive later treatment remain unverified. The Rs 9,164 question is not mapped to a year, and costs are awarded without a stated amount.

01 FACTS OF THE CASE

For AYs 1971-72 and 1972-73 the appellant rice exporter claimed contributions to the Andhra Pradesh Welfare Fund, West Godavari, Branch Eluru. A scheme evolved by the Rice Millers Association with the District Collector required fifty paise per quintal to be deposited in Andhra Bank, with deposit particulars included in the export-permit application. The ITO rejected the claim as discretionary and also cited the absence of section 80G approval; the first appeal failed (physical pages 3–5).

The Tribunal allowed the business-expenditure claim because commercial benefit followed, notwithstanding its finding of no compulsion. The High Court regarded the contribution as a compulsory condition for permits but denied deduction on public-policy grounds. The reference included a separate assessee question mentioning Rs 9,164. The source does not assign that sum to a specific assessment year or supply a complete year-wise claim total (physical pages 3–4).

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

02 DISCUSSION BY THE HON'BLE COURT

Commercial expediency, rather than whether a payment was compulsory, was the relevant inquiry. A voluntary payment could serve the business even if a charitable body or other third party also benefited. The Court approved the comparable Kuber Singh approach and used government-bond decisions to illustrate a direct business connection (physical pages 5–6 and 7–11).

The Court expressly found that this contribution was neither a bribe nor a payment to a private fund or individual as illegal gratification. The fund was created for public benefit, contributions were openly made, and no law prohibited this donation. The involvement of public authorities and resulting commercial benefit did not by themselves make this lawful payment contrary to public policy (physical pages 7 and 12).

S.C. Kothari and Piara Singh concerned computation of losses in illegal businesses under the 1922 Act, while the bond cases addressed particular business losses or interest. Those discussions were supporting comparisons. This appeal itself concerned a lawful public-welfare contribution under section 37(1); it did not decide the deductibility of a bribe, penalty or every loss connected with unlawful conduct (physical pages 6–7 and 9–12).

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

03 JUDICIAL DECISION

The Court rejected the High Court's conclusion and answered the referred questions in favour of the appellants, who were also entitled to costs. The source does not quantify costs or calculate a year-wise tax consequence. Its operative reasoning allowed the business-connected public-welfare contribution under section 37(1) on the stated lawful-payment facts (physical page 12).

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

04 OUTCOME / IN WHOSE FAVOUR

In whose favour: Assessee appellants

Appeal(s) allowed; referred questions answered for the appellants with costs, amount unspecified

Final historical section 37(1) ruling on the lawful public-welfare contribution

No blanket deduction for donations, political patronage, bribes, penalties, CSR expenditure or illegal-business losses; no finding of section 80G approval.

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

05 AKHB REVIEW POINT

Establish the recipient, the public purpose, the business connection and the legality of the actual payment. The judgment's rejection of the public-policy objection rests on its express finding that the payment was not illegal gratification. A commercial advantage cannot be used to erase that qualification. The discussion of confiscation losses in older cases must not be converted into a general section 37 deduction rule.

As a bounded later statutory check, the Department's displayed 2024 (No. 1) section 37 text contains Explanation 1 excluding expenditure for an offence or prohibited purpose, Explanation 2 addressing statutory CSR, and Explanation 3 addressing specified prohibited expenditure. Those provisions are separate later-law context, not findings made in this 1996 judgment. This check neither determines their application to a particular historical year nor certifies current law, subsequent judicial treatment or the 2025 Act mapping.

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

PROPOSITION-SPECIFIC SOURCE PARAGRAPHS AND PDF PAGES

1.

Topic: Identity, appeal caption and assessment years

Source url: [Open cited source](#)

Pdf pages: 1; 3

Paragraphs: Unnumbered judicial text

Source role: reported metadata and judicial text

Scr pinpoint: 767, 769 A–H

2.

Topic: Referred questions, Rs 9,164 and contribution mechanism

Source url: [Open cited source](#)

Pdf pages: 4; 5

Paragraphs: Unnumbered judicial text

Source role: judicial text

Scr pinpoint: 770 A–H; 771 A–D

3.

Topic: Commercial expediency and older illegal-business loss comparisons

Source url: [Open cited source](#)

Pdf pages: 5; 6; 7

Paragraphs: Unnumbered judicial text

Source role: judicial text

Scr pinpoint: 771 E–H; 772 A–H; 773 A–D

4.

Topic: Comparable lawful donations and government-bond business losses

Source url: [Open cited source](#)

Pdf pages: 7; 8; 9; 10; 11

Paragraphs: Unnumbered judicial text

Source role: judicial text

Scr pinpoint: 773 E–H; 774–777

5.

Topic: Lawful public fund holding, answers and costs

Source url: [Open cited source](#)

Pdf pages: 11; 12

Paragraphs: Unnumbered judicial text

Source role: judicial text

Scr pinpoint: 777 G–H; 778 A–D

6.

Topic: Bounded later section 37 statutory restrictions

Source url: [Open cited source](#)

Paragraphs: Section 37(1), Explanations 1–3; displayed 2024 (No. 1) version

Source role: later statutory context not judicial treatment

JUDICIAL AUTHORSHIP AND SEPARATE OPINIONS

B.N. Kirpal, J.

ACT IDENTIFIED IN THE REVIEWED SOURCE

Income-tax Act, 1961

ASSESSMENT-YEAR SCOPE AND LIMITS OF THE OPERATIVE DIRECTION

The judicial opening identifies AYs 1971-72 and 1972-73. The caption uses etc.; the report does not enumerate every companion appeal or map the Rs 9,164 question to a particular year.

SPECIFIED LATER CHECKS AND THEIR LIMITS

1.

Check type: official statutory text

Status: read bounded only

Source url: [Open cited source](#)

Checked scope: Section 37(1), Explanations 1–3, and the displayed version label. Section 37(2B) and omitted provisions visible but not relied upon. No whole-Act review, applicability determination or 2025 Act crosswalk.

Judicial citator check: False

OTHER PROVISIONS AND THEIR DISTINCT SCOPE

Income-tax Act, 1922: sections 10 and 24, only in cited loss precedents

SOURCE & VERIFICATION

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

Identified source rendition: 12 PDF pages; SHA-256

03d3d7be78c6d15d12bccdfb2eef1206b4a486505017de98bad16d188d0faf31. Original bytes preserved.

Complete judicial text physical pages 3–12/SCR 769–778; editorial pages 1–2 separately read. No adjoining judgment.

[Open cited source rendition](#)

The first-page bench prints B.N. KRIPAL, while the judicial delivery and running heads identify KIRPAL. The note uses B.N. Kirpal and retains this source spelling discrepancy.; The Tribunal and High Court differed on compulsion; the Supreme Court focused on commercial expediency and lawfulness. Do not flatten the procedural history into unanimous factual agreement.; Rs 9,164 is in one referred question. No whole-batch aggregate, year assignment or quantified costs are supplied.; The caption is Civil Appeal Nos. 5623–24 of 1983 etc.; frozen metadata contains only the leading appeal. Unspecified companions are not invented.; The 1922 Act loss precedents and amounts in cited government-bond cases are not facts or separate dispositions of this appeal.; Section 80G appears as the assessing officer's objection. The operative entitlement is under section 37(1), not an approval ruling under section 80G.

The operative holding answers deduction questions under section 37(1) of the 1961 Act. Discussion of 1922 Act loss cases is comparative, not the jurisdictional basis of the present appeals.

STATUTORY SCOPE

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

LATER TREATMENT

Source checked 2026-10-04. No comprehensive later-treatment search is certified. Bounded official statutory checks, if any, are identified separately and do not certify judicial treatment.

IDENTIFIED SOURCE LINKS

[reported judgment - PDF pages: 12](#)

SHA-256: 03d3d7be78c6d15d12bccdfb2eef1206b4a486505017de98bad16d188d0faf31

[bounded official statutory text](#)

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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