

M/s South India Viscose Ltd. v. Commissioner of Income Tax

Civil Appeal Nos. 3179-3181 of 1982

[1997] Supp. 2 SCR 89 | 1997-07-09

Whether extra-shift allowance for machinery and spares added in the relevant previous year was to be computed by the days on which the whole concern worked double or triple shifts, rather than the extra-shift working days of each individual machine.

32(1)(ii) (historical version) | 119(1) (quoted Board instruction; interpretive-aid question left open)

Two-judge bench | S.C. Agrawal, J. | D.P. Wadhwa, J.

Assessment years: 1971-72

Historical concern-wide formula; eligibility and exclusions remain

This is an AY 1971-72 ruling under the historical amended Rule 5/Appendix I. The assessee had to prove extra-shift working by the concern as a whole, and normal-depreciation eligibility plus N.E.S.A. and specified-item exclusions remained. The report omits the detailed excluded-item list; its 10% reference does not exclude every asset at that rate. Questions 1-3 were outside the appeals, and the circulars' interpretive role was left open. The headnote has a precedent-citation mismatch. No present depreciation rate, statutory carryover or comprehensive later treatment is verified.

01 FACTS OF THE CASE

For AY 1971-72 the public limited company, which manufactured and sold rayon yarn and wood pulp, claimed extra-shift allowance by reference to the days on which its concern as a whole worked double or triple shifts. The Income Tax Officer instead restricted the allowance by each machine's working days. The Appellate Assistant Commissioner and Tribunal accepted the concern-wide basis, but the Madras High Court required machine-specific inquiry (physical pages 4-5/SCR 92D-93D).

Of the four questions referred to the High Court, questions 1-3 had already been answered in the assessee's favour. All three Supreme Court appeals were confined to question 4, concerning machinery and spares added during the relevant previous year; they did not reopen the other answers (physical page 4/SCR 92D-G).

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

02 DISCUSSION BY THE HON'BLE COURT

The Court construed section 32(1)(ii), Rule 5(1) and Part I of Appendix I as applicable to this historical assessment. The quoted extra-shift regime allowed an additional amount up to one-half of normal allowance for double-shift work and up to the normal allowance for triple-shift work, each calculated separately in the prescribed proportion. The denominator was the greater of actual concern working days and 180 days for seasonal concerns, or 240 days for other concerns. These are the historical formula and limits, not modern depreciation rates (physical pages 6-9/SCR 94C-97D).

The operative language measured extra-shift days of the concern. Normal depreciation under the amended provision depended on eligible business use at any time during the previous year, rather than the exact period of each machine's use. Extra-shift depreciation was of the same nature. The Court therefore rejected a separate count of each item's double/triple-shift days. The assessee still had to establish that the concern as a whole had worked the extra shifts; merely running a small machine in one corner of a large factory did not establish that condition (physical pages 9-11/SCR 97D-99C).

The allowance extended to items on which normal depreciation was allowable and had been allowed, except N.E.S.A.-marked items and the separately specified excluded items bearing the historical 10% general rate. The Court distinguished the seasonal-factory decisions under the 1922 Rules and Anantpur Textiles, which concerned the pre-amendment Rule 5/Appendix I including the former 30-day exclusion. Those earlier provisions did not govern this appeal (physical pages 11-14/SCR 99D-102C).

The Board circulars and instructions were consistent with the Court's construction. The quoted 1985 instruction also described separate calculation for each factory where a concern had several factories. But the Court expressly declined to decide whether those circulars/instructions could be used as an aid to construing Rule 5 and Appendix I; counsel's broader submissions about their binding force were not a separate holding (physical pages 14-16/SCR 102C-104C).

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

03 JUDICIAL DECISION

The three assessee appeals were allowed. The High Court judgment was set aside only insofar as it answered question 4, which was answered in the affirmative, in favour of the assessee and against Revenue. Extra-shift days of the whole concern, subject to the historical formula and exclusions, controlled the calculation. No order as to costs was made (physical page 16/SCR 104C-F).

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

04 OUTCOME / IN WHOSE FAVOUR

In whose favour: Assessee

All three appeals allowed; High Court answer to question 4 set aside and that question answered affirmatively; no order as to costs

Final on question 4 for AY 1971-72 under the historical amended extra-shift regime

Questions 1-3 were outside the appeals. Eligible business use, normal-depreciation allowance, proof of concern-wide extra shifts and express exclusions remain necessary; no numerical tax award, present depreciation rate or circular-override holding.

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

05 AKHB REVIEW POINT

Separate asset eligibility from the measure used to calculate the allowance. The historical rule measured extra-shift days at concern level, but that did not dispense with the underlying depreciation conditions or the expressly excluded classes. Evidence that the whole concern worked double or triple shifts was still required.

Check the exact assessment-year version of Rule 5 and Appendix I before relying on the result. The report itself omits the detailed list of specified excluded 10%-rate items, so it cannot establish whether an unlisted asset was excluded. The 10% reference is not a rule that every asset at that rate was barred, and none of the historical figures supplies a present allowance or automatic statutory successor.

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

PROPOSITION-SPECIFIC SOURCE PARAGRAPHS AND PDF PAGES

1.

Topic: Identity, three appeals, assessment year and question 4 boundary

Source url: [Open cited source](#)

Pdf pages: 1; 4

Paragraphs: SCR 89 heading; unnumbered judicial text SCR 92C-G

Source role: reported metadata and judicial text

2.

Topic: Facts and competing computation approaches

Source url: [Open cited source](#)

Pdf pages: 4; 5; 6

Paragraphs: Unnumbered; SCR 92G-94C

Source role: judicial text

3.

Topic: Historical statutory and rule formula, denominator and omitted exclusion list

Source url: [Open cited source](#)

Pdf pages: 6; 7; 8

Paragraphs: Unnumbered; SCR 94C-96D

Source role: quoted historical statutory and rule text

4.

Topic: Concern-wide calculation and necessary eligibility

Source url: [Open cited source](#)

Pdf pages: 9; 10; 11

Paragraphs: Unnumbered; SCR 97D-99F

Source role: judicial text

5.

Topic: Earlier seasonal and pre-amendment decisions distinguished

Source url: [Open cited source](#)

Pdf pages: 11; 12; 13; 14

Paragraphs: Unnumbered; SCR 99F-102C

Source role: judicial text

6.

Topic: Board materials, multi-factory clarification and express reservation

Source url: [Open cited source](#)

Pdf pages: 14; 15; 16

Paragraphs: Unnumbered; SCR 102C-104C

Source role: quoted circulars party submissions and judicial reservation

7.

Topic: Question 4 alone and final disposal of all appeals

Source url: [Open cited source](#)

Pdf pages: 16

Paragraphs: Unnumbered; SCR 104C-F

Source role: judicial text

JUDICIAL AUTHORSHIP AND SEPARATE OPINIONS

S.C. Agrawal, J.

ACT IDENTIFIED IN THE REVIEWED SOURCE

Income-tax Act, 1961

SOURCE & VERIFICATION

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

Identified source rendition: 16 PDF pages; SHA-256

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Complete unnumbered judicial text from S.C. Agrawal, J. on physical page 4/SCR 92C through final disposal on physical page 16/SCR 104F. Physical pages 1-3 and upper page 4 contain reporter headnote, citations and identity materials. Quoted provisions, circulars, precedent passages and submissions are distinguished from the Court's holding.

Open cited source rendition

The appeal concerns AY 1971-72 and the historical amended Rule 5/Appendix I; the earlier 30-day restriction described in Anantpur Textiles was distinguished, not applied.; The report prints "(Omitted)" in place of the detailed list of specified excluded items at physical page 8/SCR 96C-D. The full historical exclusion list has not been independently verified.; The reporter headnote at physical page 3/SCR 91B attaches (1977) 106 ITR 704 to Raza Sugar; the judicial text at physical page 5/SCR 93D identifies Raza Sugar as (1970) 76 ITR 541 and Kundan Sugar Mills as (1977) 106 ITR 704. This note relies on the judicial discussion, without separately verifying those precedents.; The quoted rule's second denominator category is visibly clause (b) at physical page 7/SCR 95H, although cached OCR reads (c).; The circulars' use as an interpretive aid was expressly left open. The factory-by-factory clarification appears in the quoted Board instruction, not a separately litigated multi-factory factual finding.

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. The two same-day judgments have been read together. Comprehensive subsequent judicial and statutory treatment has not been verified. No present-law or Income-tax Act, 2025 mapping is certified.

IDENTIFIED SOURCE LINKS

[reported judgment - PDF pages: 16](#)

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