

Commissioner of Income Tax, Calcutta v. Sugauli Sugar Works (P) Ltd.

Civil Appeal No. 2344 of 1992

[1999] 1 SCR 400 | 1999-02-04

Whether transferring an old liability balance to capital reserve, with Revenue relying on elapsed limitation, established a taxable remission or cessation under the historical section 41(1).

41(1) (historical)

Two-judge bench | M. Srinivasan, J. | U.C. Banerjee, J.

Assessment years: 1965-66

Old assessment year; later unilateral-write-off provision matters

Sugauli concerns AY 1965-66 and does not establish that unilateral write-offs are never taxable. The checked compilation records Explanation 1's inclusion of unilateral writing-off from 1 April 1997. Limitation and creditor rights must not be decided from an unexplained debtor entry alone. The source's three amounts are unreconciled. No current-law or comprehensive later-treatment clearance is asserted.

01 FACTS OF THE CASE

For AY 1965-66 the company transferred Rs 3,45,000 from an old suspense account, running from 1946-47 to 1948-49, to capital reserve. The narrative separately mentions Rs 1,29,000 connected with repaid deposits and advances and an addition of Rs 2,56,529. It does not reconcile those amounts (physical pages 2-3).

The first appeal failed, but the Tribunal held that the unilateral entry did not bring the amount within section 41. The High Court agreed. Revenue argued before the Supreme Court that more than twenty years without recovery action established cessation of the debt (physical page 3).

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

02 DISCUSSION BY THE HON'BLE COURT

Under the statutory text applicable to this old assessment, the assessee had to obtain the relevant amount or benefit by remission or cessation. A unilateral accounting transfer alone did not supply that consequence. The Court distinguished cases with materially different facts and rejected Bennett Coleman's contrary reasoning on unilateral treatment of a time-barred liability (paragraphs 3–7, physical pages 4–6).

Limitation generally bars enforcement rather than extinguishing the debt. The Court stressed that the creditor's circumstances and possible grounds permitting enforcement could not simply be determined from the debtor's assertion alone. It adopted the cited J.K. Chemicals and Bharat Iron reasoning and held that this entry did not establish cessation or the statutory benefit. The quoted formulations concern the historical provision, before the later unilateral-write-off Explanation (paragraphs 7–10, physical pages 6–8).

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

03 JUDICIAL DECISION

Revenue's appeal was dismissed without costs, sustaining the assessee's success on the historical section 41 addition. No fresh inquiry, refund calculation or creditor-liability decree was ordered (paragraph 11, physical page 8).

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

04 OUTCOME / IN WHOSE FAVOUR

In whose favour: Assessee

Revenue appeal dismissed; no costs

Final historical section 41(1) ruling

Not a present rule that unilateral write-offs can never be taxable, and not an adjudication extinguishing or enforcing any creditor's civil claim.

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

05 AKHB REVIEW POINT

Identify the earlier allowance, the particular liability and the event said to create the benefit; do not infer cessation solely from the age of a balance. Keep the tax question separate from a civil adjudication of limitation against an absent creditor.

The later statutory boundary is essential: the checked 2011 compilation, physical page 306, includes unilateral writing-off within section 41(1) Explanation 1 and records its insertion by the Finance (No. 2) Act, 1996 with effect from 1 April 1997. The 1999 judgment's decision date does not make its AY 1965-66 reasoning a construction of that later Explanation. Apply the correct assessment-year text and all charging conditions; no comprehensive current-law or subsequent-case certification is given.

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

PROPOSITION-SPECIFIC SOURCE PARAGRAPHS AND PDF PAGES

1.

Topic: Identity, historical year and disputed book transfer

Source url: [Open cited source](#)

Pdf pages: 1; 2; 3

Paragraphs: Unnumbered judicial text

Source role: reported metadata and judicial text

2.

Topic: Necessary benefit and distinctions from contrary authorities

Source url: [Open cited source](#)

Pdf pages: 4; 5; 6

Paragraphs: Paragraphs 3–7

Source role: judicial text

3.

Topic: Creditor/limitation analysis and final dismissal

Source url: [Open cited source](#)

Pdf pages: 6; 7; 8

Paragraphs: Paragraphs 7–11

Source role: judicial text

4.

Topic: Later statutory write-off inclusion and stated effective date

Source url: [Open cited source](#)

Pdf pages: 305; 306

Paragraphs: Section 41(1), Explanation 1 and footnote 65

Source role: bounded historical statutory text

JUDICIAL AUTHORSHIP AND SEPARATE OPINIONS

Order of the Court; no individual author identified

ACT IDENTIFIED IN THE REVIEWED SOURCE

Income-tax Act, 1961

SOURCE & VERIFICATION

Hon'ble Supreme Court source PDF (reported judgment)

Identified source rendition: 8 PDF pages; SHA-256

2eaafe049746ed00125548062a60a9af951ab9d07dff7157de4c639cf6c6e3f. Original bytes preserved.

Complete judicial order paragraphs 1–11, physical pages 2–8/SCR 401–407; prior-case quotations distinguished.

Open cited source rendition

The narrated transfer of Rs 3,45,000, repaid amount of Rs 1,29,000 and addition of Rs 2,56,529 are not reconciled by the source. No arithmetic correction or hidden component is supplied.; The capital-reserve transfer in this case is not replaced with the profit-and-loss transfers discussed in other cases.; A quoted High Court passage prints "Revision" where the surrounding remission discussion makes the context clear; the note does not create a separate revisional issue.; The order's historical tax year precedes the later unilateral-write-off Explanation, notwithstanding the 1999 decision date.; No named individual author is printed in the order.

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. Comprehensive subsequent judicial and statutory treatment has not been verified. Only the expressly identified bounded comparisons have been checked. No current-law or Income-tax Act, 2025 mapping is certified.

IDENTIFIED SOURCE LINKS

reported judgment - PDF pages: 8

SHA-256: 2eaafe049746ed00125548062a60a9af951ab9d07dff7157de4c639cf6c6e3f

official department hosted historical statutory compilation - PDF pages: 1251

SHA-256: 1ec6e4c38dc1d524d1d40b1fd35d13ac1336c8fc549cef2af1bf723a999c822b

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.

PROFESSIONAL DISCLAIMER

General research information only; not legal or tax advice, a certified judgment or a substitute for the full order. Applicability depends on facts, assessment year, statutory version and jurisdiction. Subsequent treatment is unverified unless identified sources are expressly stated. Downloading does not create a professional engagement. Obtain case-specific advice before reliance.