

The Commissioner of Income Tax, Madras v. M/s Sundaram Spinning Mills

Civil Appeal No. 7434 of 1997

[1999] Supp. 5 SCR 365 | 1999-12-15

Whether cotton yarn manufactured by the assessee fell within item 21 of the historical Ninth Schedule so that the higher initial-depreciation benefit followed for AY 1976-77.

Ninth Schedule, item 21 | 256(1) | Fifth Schedule, items 32 and 33 (analogous provisions in cited cases) | 33(1)(b)(B)(i) (cited development-rebate cases only)

Two-judge bench | D.P. Wadhwa, J. | A.P. Misra, J.

Assessment years: 1976-77

Express historical inclusion; do not import a present depreciation rate

The result depends on cotton yarn being expressly included in Ninth Schedule item 21 for AY 1976-77. The judgment records the Schedule's omission from 1 April 1988 and gives no numerical initial-depreciation rate. The 35% figure belongs to a cited development-rebate case. The source conflicts on appellate-history wording, the 256/156 reference citation and a precedent citation; its unusual costs wording is preserved. Current law and comprehensive later treatment remain unverified.

01 FACTS OF THE CASE

The respondent firm manufactured yarn and claimed higher initial depreciation on the machinery used for that manufacture for AY 1976-77. The assessing authority rejected the claim because yarn was a component used to make textiles. The first appellate result, Tribunal and High Court favoured the assessee, and Revenue challenged the High Court's section 256(1) reference answer (physical page 3/SCR 367B-H).

The printed judicial history anomalously says the Commissioner (Appeals) upheld the assessing authority while immediately recording a contrary, assessee-favouring conclusion; the headnote says the assessing order was reversed. The note retains that conflict rather than adopting the contradictory word as the actual outcome (physical pages 1 and 3).

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

02 DISCUSSION BY THE HON'BLE COURT

Item 21 expressly included cotton yarn, hosiery and rope within textiles made wholly or mainly of cotton. The Court held that this wording deliberately enlarged the statutory category beyond the ordinary meaning of textiles. Cotton yarn could therefore qualify even though its manufacture was an earlier stage than manufacture of cloth. Revenue did not dispute that the higher depreciation benefit would follow if yarn fell within the entry (physical page 4/SCR 368A-G).

The Court compared the similarly inclusive jute entry and earlier decisions on the Fifth Schedule. Those development-rebate cases supported the inclusive reading; their particular rates and transactions were not separate awards in Sundaram. The judgment also records that the Ninth Schedule had been omitted with effect from 1 April 1988 (physical pages 4-6/SCR 368C-370D).

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

03 JUDICIAL DECISION

Revenue's appeal was dismissed, sustaining the higher initial-depreciation entitlement on this historical classification question. The final sentence, following the respondent's nonappearance, reads "costs on the parties"; no numerical costs award or depreciation rate is supplied (physical page 6/SCR 370E-F).

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

04 OUTCOME / IN WHOSE FAVOUR

In whose favour: Assessee

Revenue appeal dismissed; source concludes "costs on the parties"

Final on item 21 classification for AY 1976-77

Express historical inclusion of cotton yarn; no current additional-depreciation entitlement, numerical rate, or general manufacturing classification is adjudicated.

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

05 AKHB REVIEW POINT

Start with the entire statutory entry, including its inclusive words. A narrow ordinary-language category cannot remove a product expressly brought within it. Preserve the distinction between this initial-depreciation dispute and the development-rebate precedents used by analogy.

The relevant Ninth Schedule was already omitted by the date stated in the judgment. A present claim needs its own applicable provision and year-specific conditions; neither a modern rate nor an Income-tax Act, 2025 counterpart is established by this note.

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

PROPOSITION-SPECIFIC SOURCE PARAGRAPHS AND PDF PAGES

1.

Topic: Identity and source-history conflict

Source url: [Open cited source](#)

Pdf pages: 1; 2; 3

Paragraphs: Unnumbered; SCR 365-367

Source role: reported metadata and judicial text

2.

Topic: Question, assessment year and appellate history

Source url: [Open cited source](#)

Pdf pages: 3

Paragraphs: Unnumbered; SCR 367B-H

Source role: judicial text

3.

Topic: Inclusive item 21 and recorded omission

Source url: [Open cited source](#)

Pdf pages: 4

Paragraphs: Unnumbered; SCR 368A-G

Source role: judicial text

4.

Topic: Analogies, citation discrepancy and final dismissal

Source url: [Open cited source](#)

Pdf pages: 2; 5; 6

Paragraphs: Unnumbered; SCR 366F-G and 369-370

Source role: reported editorial and judicial comparison

JUDICIAL AUTHORSHIP AND SEPARATE OPINIONS

A.P. Misra, J.

ACT IDENTIFIED IN THE REVIEWED SOURCE

Income-tax Act, 1961

SOURCE & VERIFICATION

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

Identified source rendition: 6 PDF pages; SHA-256

99a5c96208015f90245a0d2c90266a8e374e6d641dcd16fac0fe86c8946a058b. Original bytes preserved.

Complete unnumbered judicial text on physical pages 3-6/SCR 367-370, from Misra, J. through final dismissal; physical pages 1-2 are reporter headnote and identity materials, not separate judicial holdings.

[Open cited source rendition](#)

Physical page 3 says the Commissioner (Appeals) “upheld” the assessing authority but then records relief for the assessee; the page 1 headnote says “reversed”. The conflict is visible in the original images.; Physical page 3 opens with section 256(1) but later prints section 156(1) for the same reference. The note uses the correctly identified reference at the opening and preserves the inconsistent printed citation.; Vijaya Spinning Mills is reported as “(1983) 143 ITR (A.P.)” without a page in the headnote (physical page 2), but “(1983) 140 ITR 64 (A.P.)” in the judicial discussion (page 5). Neither citation was independently verified.; The 35% development-rebate rate on physical page 6 concerns North Arcot, not a numerical initial-depreciation rate awarded in this appeal.; The phrase “costs on the parties” is preserved; it is not silently rewritten as a quantified or party-specific costs 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: 6](#)

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