

Commissioner of Income Tax v. Mahendra Mills

Civil Appeal No. 5394 of 1994 / Civil Appeal No. 4356 of 1997 / Civil Appeal No. 7030 of 1995

[2000] 2 SCR 465; (2000) 243 ITR 56 | 2000-03-15

Under the pre-1 April 1988 sections 32 and 34 considered in these appeals, could the Income-tax Officer compel depreciation when the assessee had not claimed it, by invoking the business-income computation rule in section 29?

32(1) (historical version) | 34(1) (historical version) | 28 | 29 | 139(5) | 43(6) (written-down-value context) | 32(1), Explanation 5 (bounded later statutory check) | 80-IA (bounded later judicial comparison)

Two-judge bench | D.P. Wadhwa, J. | S.S. Mohammed Quadri, J.

Assessment years: 1974-75

Historical depreciation choice; amendment and Chapter VI-A limits

Mahendra Mills concerns the pre-1 April 1988 provisions and is not authority that depreciation may currently be declined. The checked section 32(1), Explanation 5 text applies whether or not a claim is made; its insertion is recorded as effective 1 April 2002. Plastiblends rejects using Mahendra Mills to inflate section 80-IA eligible profits, while expressly leaving Explanation 5's retrospective character undecided. Only the lead appeal's AY 1974-75 is stated. Companion years are unknown, the revised-return observation assumes a valid return, and the report's headnote/quoted-source inconsistencies are preserved. Comprehensive later treatment and current statutory mapping remain unverified.

01 FACTS OF THE CASE

Mahendra Mills, a company maintaining mercantile accounts, did not claim current depreciation for AY 1974-75. The Income-tax Officer nevertheless computed and allowed Rs 37,61,652. CIT(A) accepted the assessee's appeal; the Tribunal dismissed Revenue's appeal. The Gujarat High Court, on the reference sought by Revenue, answered that the officer could not grant the unclaimed allowance. Revenue brought Civil Appeal No. 5394 of 1994. The report identifies the challenged Gujarat judgment as dated 24 November 1987 in ITR No. 30 of 1984 (physical pages 3 and 6/SCR 467, 470).

The Supreme Court heard a common legal question with Civil Appeal Nos. 4356 of 1997 and 7030 of 1995. Their separate closing orders identify neither their taxpayers nor their assessment years; the lead case's AY and amount must not be imputed to them. The opening jurisdiction block collectively lists the companion Gujarat and Bombay references and judgment dates (physical pages 3 and 30/SCR 467, 494).

The Court expressly framed its examination by reference to section 32 as it stood before 1 April 1988. The depreciation claims, amounts and assessment years narrated in its survey of Jaipuria China Clay Mines, Garden Silk, Andhra Cotton Mills and other authorities belong to those earlier cases, not to additional appeals disposed of here (physical pages 3-4 and 11-27/SCR 467-468, 475-491).

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

02 DISCUSSION BY THE HON'BLE COURT

Revenue argued that sections 28, 29 and 32 required the officer to deduct depreciation to ascertain true business income, even without a claim, and that the officer could obtain the necessary details from the accounts. The amicus answered that section 32 was expressly subject to section 34 and that the statutory particulars and a claim could not be dispensed with (physical pages 6–11/SCR 470–475).

The Court accepted the assessee-favouring construction of the historical provisions. Section 34 was a substantive condition, not merely an enabling provision: section 29 had to be read with it and was not a self-contained mandate to grant every allowance. The 31 August 1965 Board circular supported computing income without depreciation when no claim or required particulars had been furnished. The 11 April 1955 circular imposed an advisory duty to assist taxpayers, rather than a duty to force an unwanted benefit on them. The report's discussion of Rule 5AA illustrates the prescribed-particulars requirement; it does not establish that that later-inserted rule itself governed AY 1974-75 (physical pages 8–10 and 27–29/SCR 472–474, 491–493).

Jaipuria China Clay Mines and Garden Silk concerned different questions about set-off/carry-forward and did not resolve the present non-claim issue. The Court rejected the contrary reasoning of the Allahabad and Madras authorities and the use made of Jaipuria in Gujarat State Warehousing, confined to the issue before it. It also said that where a revised return is valid and withdraws depreciation, the officer cannot restore that claim from the original return when assessing on the revised return. This is conditional reasoning, not a ruling that every attempted withdrawal necessarily produces a valid revised return (physical pages 14 and 27–29/SCR 478, 491–493).

Relying on Dharampur Leather, the Court treated depreciation actually allowed in earlier years as distinct from depreciation only notionally available when addressing written down value. Those observations form part of its historical statutory reasoning; they do not supply a present-day right to preserve written down value merely by omitting a claim (physical page 29/SCR 493).

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

03 JUDICIAL DECISION

Civil Appeal No. 5394 of 1994 was dismissed. The referred question was answered in the affirmative, in favour of the respondent assessee and against Revenue, with no order as to costs. Civil Appeal No. 4356 of 1997 and Civil Appeal No. 7030 of 1995 were each separately dismissed by following the lead judgment, each with no order as to costs. No remand was ordered (physical pages 29–30/SCR 493–494).

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

04 OUTCOME / IN WHOSE FAVOUR

In whose favour: Assesseees/respondents; Revenue unsuccessful in all three appeals

Lead Revenue appeal dismissed on merits; both companion appeals separately dismissed by following it; no order as to costs in each

Final determination of the historical depreciation non-claim question; no remand

Pre-amendment sections 32 and 34 considered by the Court. No current option to disclaim depreciation, automatic validity of a revised return, general priority rule for every carry-forward case, or entitlement to inflate Chapter VI-A deductions follows.

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

05 AKHB REVIEW POINT

Begin with the assessment year and statutory version. The actual text of section 32(1), Explanation 5, in the Department-hosted 2011 compilation provides that the subsection applies whether or not depreciation was claimed in computing total income; its amendment footnote records insertion by the Finance Act, 2001 with effect from 1 April 2002. The same compilation records omission of section 34(1) with effect from 1 April 1988. These checked changes make an unqualified statement that depreciation is optional unsafe. Neither the 2000 decision nor this note certifies the governing law for every intervening or later year (statutory compilation, physical pages 210 and 246).

Keep the Chapter VI-A limitation separate from the amendment question. In *Plastiblends India Ltd. v. Additional CIT*, decided 9 October 2017, the lead appeal concerned AYs 1997-98 to 2000-01. The Court held that Mahendra Mills could not justify an enhanced section 80-IA deduction by omitting depreciation from eligible profits: section 80-IA was a special, profit-linked code. It approved the Full Bench reasoning and dismissed the assesseees' appeals. Crucially, paragraph 19 expressly declined to decide whether Explanation 5 was declaratory or prospective, because its section 80-IA holding disposed of the matter. Do not turn Revenue's retrospective-effect submission, or the introductory footnote about the amendment, into a Supreme Court ruling on retrospectivity (*Plastiblends* paragraphs 1-2, 9-10 and 17-20, physical pages 4-5, 11 and 17-18).

For research use, identify the return actually assessed and the validity of any revision, distinguish an unclaimed historical allowance from a statutory computation requirement, and distinguish ordinary business-income computation from the particular profit-linked deduction. These are bounded source checks, not a comprehensive later-treatment review or mapping to the Income-tax Act, 2025.

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

DETAILED DISPOSITION AND CONNECTED GROUPS

Appeal wise

1.

Case number: Civil Appeal No. 5394 of 1994

Assessee: Mahendra Mills

Assessment years: 1974-75

Result: Revenue appeal dismissed; referred question answered for assessee; no order as to costs

Pinpoint: PDF 29/SCR 493

2.

Case number: Civil Appeal No. 4356 of 1997

Assessee: Not identified in this report's companion order

Assessment years:

Result: Dismissed following CA 5394/1994; no order as to costs

Pinpoint: PDF 30/SCR 494

3.

Case number: Civil Appeal No. 7030 of 1995

Assessee: Not identified in this report's companion order

Assessment years:

Result: Dismissed following CA 5394/1994; no order as to costs

Pinpoint: PDF 30/SCR 494

PROPOSITION-SPECIFIC SOURCE PARAGRAPHS AND PDF PAGES

1.

Topic: Identity, grouped appeals and historical statutory boundary

Source url: [Open cited source](#)

Pdf pages: 1; 3; 4

Paragraphs: SCR 465, 467–468; cover, jurisdiction block and opening unnumbered judicial text

Source role: reported metadata and judicial text

2.

Topic: Lead AY, amount, procedural route and opposing submissions

Source url: [Open cited source](#)

Pdf pages: 6; 7; 8; 9; 10; 11

Paragraphs: SCR 470–475; unnumbered facts and submissions

Source role: judicial text

3.

Topic: Distinguished carry-forward precedents and separate Andhra Cotton decisions

Source url: [Open cited source](#)

Pdf pages: 14; 19; 20; 21

Paragraphs: SCR 478, 483–485; unnumbered discussion and attributed quotations

Source role: judicial text with attributed precedent discussion

4.

Topic: Section 34 condition, advisory circular, revised-return qualification, written down value and lead disposition

Source url: [Open cited source](#)

Pdf pages: 27; 28; 29

Paragraphs: SCR 491–493; unnumbered reasoning and operative dismissal

Source role: judicial text

5.

Topic: Separate companion dismissals and costs

Source url: [Open cited source](#)

Pdf pages: 30

Paragraphs: SCR 494; orders in CA 4356/1997 and CA 7030/1995

Source role: judicial text

6.

Topic: Explanation 5 actual text and Finance Act 2001 insertion effective date

Source url: [Open cited source](#)

Pdf pages: 206; 207; 208; 209; 210

Paragraphs: Section 32(1) opening and intervening text; Explanation 5 and footnote 11 on printed p. 1.169

Source role: bounded historical statutory text and amendment note

7.

Topic: Omission of historical section 34(1)

Source url: [Open cited source](#)

Pdf pages: 246

Paragraphs: Section 34(1) and amendment footnote 57, printed p. 1.205

Source role: bounded historical statutory text and amendment note

8.

Topic: Plastiblends factual/statutory context and rival retrospectivity submissions

Source url: [Open cited source](#)

Pdf pages: 4; 5; 11

Paragraphs: Paragraphs 1–2 and 9–10; SCR 107–108, 114

Source role: bounded later judicial comparison

9.

Topic: Plastiblends Chapter VI-A distinction, result and expressly undecided amendment question

Source url: [Open cited source](#)

Pdf pages: 17; 18

Paragraphs: Paragraphs 17–20; SCR 120–121

Source role: bounded later judicial comparison

JUDICIAL AUTHORSHIP AND SEPARATE OPINIONS

D.P. Wadhwa, J.

ACT IDENTIFIED IN THE REVIEWED SOURCE

Income-tax Act, 1961

SPECIFIED LATER TREATMENT CHECKS AND THEIR LIMITS

1.

Status: checked within stated bounds

Source filename: DOR_IT_Act_English_2011_compilation.pdf

Type: actual historical statutory text

Finding: Section 32(1), Explanation 5 applies the subsection whether or not a depreciation deduction was claimed; footnote 11 states Finance Act, 2001 insertion w.e.f. 1 April 2002. Section 34(1) is marked omitted w.e.f. 1 April 1988 in footnote 57.

Pdf pages: 206; 207; 208; 209; 210; 246

Limits: 2011 compilation only; no original 2001 Gazette, all-version check, retrospective-effect resolution or present-law certification.

2.

Status: checked within stated bounds

Asset id: 2017_10_104_121

Type: later Supreme Court primary judgment

Finding: Plastiblends holds Mahendra Mills inapplicable to the asserted section 80-IA enhancement; allowable depreciation must enter the eligible-profit computation. Paragraph 19 leaves Explanation 5 declaratory/prospective character undecided.

Pdf pages: 4; 5; 11; 12; 13; 14; 15; 16; 17; 18

Paragraphs: 1–2, 9–20

Limits: One bounded later comparison, not an exhaustive citator search; no freestanding later-case note is added to the review corpus.

ASSESSMENT-YEAR SCOPE AND LIMITS OF THE OPERATIVE DIRECTION

AY 1974-75 is stated for the lead Mahendra Mills narrative only. The two companion orders do not state their assessment years; years appearing in the extensive discussion of other cases are not years of these appeals.

SOURCE & VERIFICATION

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

Identified source rendition: 30 PDF pages; SHA-256

0fe7018d4db9828c1f1a9893788f9222d73e3cc8b30eeca3ed53fae2ca3b208e. Original bytes preserved.

All 30 physical pages read; the judicial text begins on physical page 3/SCR 467 at D.P. Wadhwa, J. and ends with the two companion orders on page 30/SCR 494. Physical pages 1–2 and upper page 3 are editorial/reporting material. No adjacent judgment. This rendition does not number the judicial paragraphs.

[Open cited source rendition](#)

The lead judgment is unnumbered in this SCR rendition. Pinpoints use physical PDF and printed SCR pages; paragraph numbers appearing inside the later Plastiblends quotation are not silently imposed on this PDF.; Physical page 2/SCR 466 editorially lists Andhra Cotton Mills (1996) 219 ITR 404 as approved, but the judicial discussion at pages 19–20/SCR 483–484 recounts that decision as favouring Revenue and then distinguishes another Andhra Cotton Mills report, (1997) 228 ITR 30, favouring the assessee on pages 20–21/SCR 484–485. The headnote is not used to classify every proposition of the 1996 case as approved.; Physical page 10/SCR 474 prints the phrase “refuse depreciation” while reporting the amicus’s submission, contrary to the preceding account that depreciation was imposed. The note follows the coherent facts and dispositive reasoning; it does not silently amend the source wording.; The embedded Gujarat State Warehousing narrative at pages 25–26/SCR 489–490 has internally inconsistent arithmetic: it prints Rs 2,18,488 less Rs 27,047 as Rs 1,81,041. Page 26 also prints Jaipuria’s report year as 1996, although the judgment elsewhere gives 1966. These errors are not adopted as Mahendra Mills facts or corrected in the original.; The non-claim principle is historical. The 2011 statutory compilation is evidence of the checked text and stated amendment dates only; the 2001 amending Gazette, every intervening statutory version and present law have not been independently exhaustively verified.; Plastiblends paragraphs 9–10 state the parties’ competing retrospectivity arguments; paragraph 19 leaves that question undecided. Its bounded section 80-IA holding is not a declaration that Mahendra Mills was wholly overruled or that every Chapter VI-A provision is mechanically identical.; The two historical Board circulars and numerous precedents are read as reproduced/discussed in Mahendra Mills. Their separate original documents have not been independently verified in this note.

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: 30](#)

SHA-256: 0fe7018d4db9828c1f1a9893788f9222d73e3cc8b30eeca3ed53fae2ca3b208e

[bounded later judgment comparison - PDF pages: 18](#)

SHA-256: 4bf725c4c2524e284537363ff7ce55a842fc09338e3a06e8592e03f67e5c83fe

[department hosted historical statutory compilation - PDF pages: 1251](#)

SHA-256: 1ec6e4c38dc1d524d1d40b1fd35d13ac1336c8fc549cef2af1bf723a999c822b

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