

M/s I.C.D.S. Ltd. v. Commissioner of Income Tax, Mysore & Anr.

Civil Appeal No. 3282 of 2008 / Civil Appeal No. 3286 of 2008 / Civil Appeal No. 3287 of 2008 / Civil Appeal No. 3288 of 2008 / Civil Appeal No. 3289 of 2008 / Civil Appeal No. 3290 of 2008

[2013] 3 SCR 1082 | 2013-01-14

Was the leasing company entitled to normal and higher-rate depreciation on leased trucks registered in its customers' names, having retained ownership under the lease agreements and earned business income from hiring them out?

32(1) | 2(13) | 2(24)

2-judge bench | D.K. Jain, J. | Jagdish Singh Khehar, J.

Assessment years: 1991-92, 1992-93, 1993-94, 1994-95, 1995-96, 1996-97

Retained lessor ownership and historical hire-business rates

I.C.D.S. decides six appeals for AYs 1991-92 to 1996-97 on the actual lease terms and hiring-business facts. It is not a universal finance-lease entitlement or authority to apply 40% or 50% today. Verify the applicable-year rate schedule and subsequent law; no automatic mapping to the Income-tax Act, 2025.

[paragraphs 20 / PDF pages 16, 17 / judicial text](#); [paragraphs 22-29 / PDF pages 18, 19, 20, 21, 22, 23, 24, 25 / judicial text](#)

01 FACTS OF THE CASE

I.C.D.S., a public limited non-banking finance company engaged in hire purchase, leasing, real estate and other activities, claimed depreciation for AYs 1991-92 to 1996-97 on additions to trucks it had purchased or financed and leased to customers. The vehicles were stated to have been purchased by direct payments to manufacturers; customers were registered as owners under the Motor Vehicles Act and physically used them. The company also claimed the higher rate for vehicles used in the business of running on hire (paragraphs 1-3).

The Assessing Officer denied normal and higher-rate depreciation. The Commissioner (Appeals) allowed normal depreciation but not the higher rate; on cross-appeals the Tribunal accepted both claims, including 50% depreciation on the trucks. Revenue succeeded in the High Court under section 260A, which treated the company as a financier rather than owner because the vehicles were registered to customers. The assessee brought the six Supreme Court appeals (paragraphs 4-8; case list at reported page 1087).

Source: [reported judgment / paragraphs 1-8 / PDF pages 6, 7, 8, 9 / judicial text](#)

02 DISCUSSION BY THE HON'BLE COURT

Section 32 required both ownership and use for the assessee's business. Personal physical operation by the assessee was not essential: I.C.D.S. purchased and leased trucks as its business, and the rentals had been assessed as business income. The Court applied the distinction, supported by Shaan Finance's reasoning on analogous provisions, between using an asset in the assessee's business and physically operating it oneself (paragraphs 13-18).

Ownership remained a separate requirement. Paragraph 20 quoted Mysore Minerals on the rationale of depreciation. The Court then examined the transactions: vehicles and keys had been delivered to the assessee before leasing; the lease terms retained exclusive ownership, inspection rights and repossession rights upon default, and required return of the vehicles at the end of the term. It rejected Revenue's argument that a later transfer for nominal value necessarily made the company only a financier. The endorsed Tribunal findings characterized these transactions as leases or hiring arrangements, not hire-purchase sales (paragraphs 19-23).

The Motor Vehicles Act's definition of owner served that Act's scheme and did not settle general legal title for section 32. Reading section 2(30) with section 51(4)-(5), the Court rejected reliance on lessee registration as dispositive of the tax ownership question. The lessees had not claimed depreciation; the entire rentals were business income of the lessor and deductible revenue expenditure for the lessees. These features reinforced, rather than replaced, the retained-title analysis. The Court found it unnecessary to determine in whose name the manufacturers' invoices were issued (paragraphs 24-29).

For the higher rate, the Court treated the company's hiring business as business use and expressly endorsed the Tribunal's reasoning that the circular excluding non-hiring business could not deny higher depreciation where actual use was in the hiring business. The passage reproduced a 40% reference in Circular No. 652 and the Tribunal's allowance of 50% on these trucks. The Court allowed the higher-rate claim on these historical facts; it did not prescribe one rate for every year or every leased vehicle (paragraphs 30-31).

Source: [reported judgment / paragraphs 13-19: business use and separate ownership requirement / PDF pages 12, 13, 14, 15, 16 / judicial text](#); [reported judgment / paragraphs 20-29: ownership rationale, lease terms, registration and invoice issue / PDF pages 16, 17, 18, 19, 20, 21, 22, 23, 24, 25 / judicial text](#); [reported judgment / paragraphs 30-31: higher-rate decision and endorsed Tribunal extract / PDF pages 25, 26, 27 / judicial text](#)

03 JUDICIAL DECISION

All six assessee appeals were allowed. The impugned High Court judgments were set aside and both substantial questions concerning ownership and higher-rate depreciation were answered for the assessee and against Revenue. The Tribunal's depreciation conclusions were upheld; there was no order as to costs and no remand direction (paragraphs 29-32).

Source: [reported judgment / paragraphs 29-32 / PDF pages 25, 26, 27 / judicial text](#)

04 OUTCOME / IN WHOSE FAVOUR

In whose favour: Assessee-lessor, I.C.D.S. Ltd., on normal and higher-rate depreciation

All six appeals allowed; impugned High Court judgments set aside; both questions answered for assessee; no order as to costs

Final acceptance of section 32 ownership and business use, including the higher-rate claim on the leased trucks in the stated AY range

Fact-specific genuine leasing and retained-title decision; not an entitlement for every financier, hire-purchase seller or vehicle lease, and not certification of a present depreciation percentage.

Source: [reported judgment / paragraphs Complete six-appeal list; questions in 7; merits and final disposition in 29-32 / PDF pages 6, 9, 25, 26, 27 / reported metadata and judicial text](#)

05 AKHB REVIEW POINT

Test ownership and business use separately. Preserve acquisition and delivery records, the complete lease terms, return and repossession rights, inspection rights, rental-income treatment and the evidence of actual hiring-business deployment. Registration in a lessee's name did not defeat this lessor's tax claim, but registration alone also cannot establish every lessor's entitlement. The fact that another party has not claimed depreciation supports neither a free-standing ownership rule nor double relief.

For a higher-rate claim, verify the asset category, actual hire use, relevant assessment year and applicable rate schedule rather than copying 40% or 50% from the reported passages. Keep a genuine lease analysis distinct from a mere financing or hire-purchase arrangement. Mysore Minerals is specifically relevant to the contextual depreciation rationale, but its building-possession facts are not a substitute for the vehicle-lease rights examined here.

Source: [reported judgment / paragraphs 13-19, 22-31; editorial application / PDF pages 12, 13, 16, 18, 19, 20, 21, 22, 23, 24, 25, 26, 27 / judicial text; reported judgment / paragraphs Unnumbered judicial text, SCR 189-191; bounded comparison / PDF pages 8, 9, 10 / judicial text](#)

ADDITIONAL STATUTORY CONTEXT, NOT SEPARATE HOLDINGS

260A; 32A(2); 33

OTHER GOVERNING STATUTES

1.

Act: Motor Vehicles Act, 1988

Sections: 2(30); 51(4); 51(5)

Role: Registration and statutory ownership considered in testing the section 32 claim.

2.

Act: Indian Contract Act

Sections: 148

Role: Bailment definition in the Tribunal reasoning expressly endorsed by the Court; genuine lease distinguished from hire purchase.

3.

Act: Sale of Goods Act

Sections:

Role: Mentioned in paragraph 26 as a possible source of general ownership law; no numbered provision independently decided.

JUDICIAL AUTHORSHIP AND SEPARATE OPINIONS

D.K. Jain, J.

ACT IDENTIFIED IN THE REVIEWED SOURCE

Income-tax Act, 1961

VERIFIED RELATIONSHIPS BETWEEN SPECIFIED JUDGMENTS

1.

Earlier case id: sc-1999-09-01-mysore-minerals

Later case id: sc-2013-01-14-icds

Relationship: cited for depreciation rationale in fact specific lessor ownership decision

Finding: I.C.D.S. paragraph 20 quotes Mysore Minerals on investment, use and depreciation. I.C.D.S. then decides ownership on the retained-title lease terms and business-use facts. This specific citation does not establish that every lessee, financier or person in possession owns the asset for section 32.

Evidence

1.

Source url: [Open cited source](#)

Pdf pages: 16; 17

Paragraphs: 20

Source role: judicial text

2.

Source url: [Open cited source](#)

Pdf pages: 18; 19; 20; 21; 22; 23; 24; 25

Paragraphs: 22-29

Source role: judicial text

Scope limit: Both complete reported judicial texts were read. This is a bounded comparison, not a comprehensive subsequent-treatment check.

HISTORICAL STATUTORY SETTING

Section 32 depreciation and higher-rate eligibility for the historical years. Sections 32A and 33 enter through the Shaan Finance analogy, not as the direct claims in these appeals. CBDT Circular No. 652 dated 14 June 1993 appears in the endorsed Tribunal passage at paragraph 31; its original text and the complete historical rate schedules were not separately obtained.

INDIVIDUAL COMPANION APPEAL DISPOSITIONS

1.

Case number: Civil Appeal No. 3282 of 2008

Disposition: Allowed with the lead appeal; High Court judgment set aside; questions answered for assessee; no order as to costs

Pinpoint

Source url: [Open cited source](#)

Pdf pages: 27

Paragraphs: 32

Source role: judicial text

2.

Case number: Civil Appeal No. 3286 of 2008

Disposition: Allowed with the lead appeal; High Court judgment set aside; questions answered for assessee; no order as to costs

Pinpoint

Source url: [Open cited source](#)

Pdf pages: 27

Paragraphs: 32

Source role: judicial text

3.

Case number: Civil Appeal No. 3287 of 2008

Disposition: Allowed with the lead appeal; High Court judgment set aside; questions answered for assessee; no order as to costs

Pinpoint

Source url: [Open cited source](#)

Pdf pages: 27

Paragraphs: 32

Source role: judicial text

4.

Case number: Civil Appeal No. 3288 of 2008

Disposition: Allowed with the lead appeal; High Court judgment set aside; questions answered for assessee; no order as to costs

Pinpoint

Source url: [Open cited source](#)

Pdf pages: 27

Paragraphs: 32

Source role: judicial text

5.

Case number: Civil Appeal No. 3289 of 2008

Disposition: Allowed with the lead appeal; High Court judgment set aside; questions answered for assessee; no order as to costs

Pinpoint

Source url: [Open cited source](#)

Pdf pages: 27

Paragraphs: 32

Source role: judicial text

6.

Case number: Civil Appeal No. 3290 of 2008

Disposition: Allowed with the lead appeal; High Court judgment set aside; questions answered for assessee; no order as to costs

Pinpoint

Source url: [Open cited source](#)

Pdf pages: 27

Paragraphs: 32

Source role: judicial text

SOURCE & VERIFICATION

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

Identified source rendition: 27 PDF pages; SHA-256

5ab55c733e2dabcf5154d578047dbac3255bc2aa5db2c4f80b91db3923d93eff. Original bytes preserved.

Complete judicial judgment, paragraphs 1-32, from the D.K. Jain author line on physical page 6 through the final disposition on page 27, reported pages 1087-1108; preceding headnote and case-reference material is editorial.

Full bounded judicial text read from the cached page extraction; identity, author, disposition and selected source anomalies visually checked against the preserved PDF. Public mirror provenance and checksum match the repository index; no independently obtained signed original is claimed.

[Open cited source rendition](#)

SCR citation, Supreme Court date, bench, author and all six appeal numbers checked in the preserved reported PDF. No neutral citation inferred from machine metadata.

Paragraph 1 identifies AYs 1991-1992 to 1996-1997 as the range in these appeals. AY 1986-87 mentioned within the Tribunal extract at paragraph 31 belongs to a different earlier proceeding, not this appeal batch.

All six appeals are listed on reported page 1087. The same final order disposes of the appeals; the rendition does not allocate an individual assessment year to each docket.

Paragraph 1 describes the appeals as by Revenue, but the title, paragraph 8 and the final disposition establish assessee appeals. This source slip is disclosed rather than adopted.; Paragraph 32 refers to questions extracted in paragraph 6; the questions actually appear in paragraph 7. The note pins the questions to paragraph 7 and the disposition to paragraph 32.; Paragraph 9 quotes section 32 wording that includes assets acquired on or after 1 April 1998, although the appeal years are 1991-92 to 1996-97. It is not certified as a verbatim year-specific statutory text. Paragraph 30 also refers to the second proviso when discussing business use and the higher rate; no independent rate schedule is reconstructed from that reference.; The Tribunal passage endorsed in paragraph 31 mentions 40% in Circular No. 652 but concludes with 50% on the trucks, consistent with paragraph 6. These historical references are retained and not converted into a universal or current rate. The earlier AY 1986-87 example in that quotation is not one of these six appeal years.; The Court left the invoice-name dispute undecided in paragraph 28. This is not a finding that invoices are irrelevant in every ownership dispute.; Shaan Finance, the other cited decisions, and Circular No. 652 were read as quoted or discussed here, not independently in full. Only Mysore Minerals was separately fully read for the bounded cross-case comparison.; The reproduced Tribunal remarks within paragraph 5 should not be read to erase the procedural account in paragraph 4 that the Assessing Officer had denied the claims. This note follows the Court's procedural narrative and final reasons.

STATUTORY SCOPE

Historical judgment review only. No automatic mapping to the Income-tax Act, 2025 or certification of present law or procedure.

LATER TREATMENT

Source checked 2026-10-04. No comprehensive subsequent judicial-treatment or current-law audit. The specific I.C.D.S. citation of Mysore Minerals is separately identified from passages actually read in both judgments.

IDENTIFIED SOURCE LINKS

[reported judgment - PDF pages: 27](#)

SHA-256: 5ab55c733e2dabcf5154d578047dbac3255bc2aa5db2c4f80b91db3923d93eff

[reported judgment - PDF pages: 10](#)

SHA-256: 8404877762d7f6048e127fe4d1c45333e900ae839f796242cba34f96ddba2037

[Related note: Mysore Minerals Ltd., M.G. Road, Bangalore v. Commissioner of Income Tax, Karnataka, Bangalore](#)

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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