

The Commissioner v. Mahindra and Mahindra Ltd. Thrg. M.D.

Civil Appeal Nos. 6949-6950 of 2004 and connected proceedings (full list below)

[2018] 3 SCR 951 | 2018-04-24

Whether waiver of the capital-equipment loan represented by Rs 57,74,064 was taxable under the then section 28(iv) or section 41(1), on the recorded facts and prior-deduction history.

28(iv), historical wording | 41(1)(a) | 36(1)(iii), non-claim of interest deduction as recorded fact

2-judge bench; one opinion | R.K. Agrawal, J. | Abhay Manohar Sapre, J.

Assessment years: See the source-scope notes; no year inferred.

IMPORTANT: HISTORICAL CASH-BENEFIT RULE WAS LATER AMENDED

This 2018 judgment applies the former section 28(iv) wording. The Income Tax Department's official version labelled 2024 (No. 1) records substitution by the Finance Act, 2023 effective 1 April 2024 expressly covering cash, kind and mixed benefits. Do not present the judgment's cash-receipt reasoning as a current blanket exemption for loan waivers. Its section 41(1) conclusion separately turns on capital-equipment borrowing and the recorded deduction history. Exact Gazette bytes were not retrieved; the dated amendment check is departmental statutory web text. The preserved eSCR-mirror report does not state the assessment years or individual connected-case facts. Comprehensive later treatment, present-law effectiveness and Income-tax Act 2025 mapping remain NOT VERIFIED.

01 FACTS OF THE CASE

Mahindra & Mahindra sought to expand its jeep range to FC-150 and FC-170 models. Under an 18 June 1964 agreement, Kaiser Jeep Corporation (KJC), USA, agreed to sell dies, welding equipment and die models for USD 650,000 including cost, insurance and freight. The equipment was supplied through KJC's subsidiary Kaiser Jeep International Corporation. KJC also financed the procurement at 6% interest, repayable after 10 years in instalments. Mahindra sought RBI approval on 7 June 1965 and obtained the stated RBI and ministry approvals (paragraph 3(b)-(c), physical 4-5/SCR 954H-955C).

American Motor Corporation later took over KJC and agreed to waive the principal and cancel promissory notes on maturity. Its 17 February 1976 letter communicated that waiver. Mahindra's return filed 30 June 1976 showed Rs 57,74,064 as cessation of its liability to AMC. The ITO's 3 September 1979 order treated the credit as income under section 28. CIT(A), in appeal CIT(A)V/CCIV/IT/261/79-80, upheld the order with modifications on 23 March 1981. Both sides appealed, in ITA 2007(Bomb.)/1981 and 2132/1981; the Tribunal's 16 August 1982 order favoured Mahindra (paragraph 3(d)-(g), physical 5/SCR 955D-H).

The report describes three reference applications, one by Mahindra and two by Revenue, and identifies Bombay High Court R.A.1561(Bom)/1982 and R.A.5161/B/80. The High Court's common 29 January 2003 judgment confirmed relevant Tribunal findings. Revenue brought CA 6949-6950/2004. The Supreme Court treated the legal question as common to the 22 further appeals listed in the report and disposed of them together; their separate facts, parties, years and amounts are not narrated. No assessment year is expressly given for the lead case either (paragraphs 2,3(h)-(i), physical 3-6/SCR 953-956).

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

02 DISCUSSION BY THE HON'BLE COURT

Revenue's strongest argument was the real economic benefit: an amount otherwise payable no longer had to be paid. It said AMC's waiver compensated losses including goodwill, association and the sudden shareholder change, and sought taxation under section 28(iv), alternatively section 41. Mahindra answered that equipment supply through KJIC and the KJC loan were independent transactions; the surviving relation was lender and borrower, not unpaid trading purchase consideration. The balance sheet treated the borrowing as unsecured loans, and the interest-bearing liability was on capital account. The account of Revenue's submission once prints Rs 57,47,064; the consistently repeated disputed and operative amount is Rs 57,74,064 (paragraphs 6-9, physical 6-7/SCR 956D-957D).

Agrawal J.'s single opinion first recognised that waiver can leave a debtor with additional cash resources, even where no fresh cash is handed over. Waiver might concern part or all of principal or interest. Thus the Court did not deny the existence of a benefit or receipt; it asked whether the particular charging/deeming provisions reached it (paragraphs 10-11, physical 7/SCR 957D-G).

For section 28(iv), the Court reproduced the former wording, addressing the value of a business or professional benefit or perquisite whether convertible into money or not. It read that wording as requiring a benefit in a form other than money. Treating the loan-waiver receipt here as cash, it held that this threshold condition failed. The conclusion is tied to that wording and cannot silently be carried across the later express cash/kind amendment (paragraphs 12-13, physical 7-8/SCR 957G-958E).

Section 41(1) had a different premise. The quoted provision requires an allowance or deduction made in an assessment for a loss, expenditure or trading liability, followed by the later amount or benefit specified there. The Court explained its anti-double-benefit purpose: a prior tax deduction followed by a remission should not produce a second untaxed advantage. Although the discussion uses the language of a deduction claimed, the statutory text reproduced says that an allowance or deduction has been made. The Court recorded that Mahindra paid 6% interest but never claimed a section 36(1)(iii) deduction for it. CIT(A)'s reliance on amortisation did not cure that absence: the earlier deductions were depreciation on machinery, not the interest payments (paragraphs 14-15, physical 8-9/SCR 958E-959E).

The equipment constituted capital assets, and its purchase amount had not been debited to the trading or profit-and-loss account in any assessment year. The Court therefore distinguished a trading liability from this other liability. It rejected Revenue's section 41(1) route and summarised the two independent reasons for non-taxation. The report does not hold that every borrowing waiver, every cash receipt, or every previously deducted liability is outside all charging provisions; nor does it adjudicate an actual-cost adjustment or a different interest-waiver fact pattern (paragraphs 16-17, physical 9-10/SCR 959F-960B).

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

03 JUDICIAL DECISION

The Court declined to interfere with the Bombay High Court judgment: the former section 28(iv) did not reach the monetary receipt, and section 41(1) did not reach this capital-loan cessation on the recorded deduction history. CA 6949-6950/2004 were dismissed. All other connected appeals were disposed of accordingly, with parties bearing their own costs (paragraphs 17-18, physical 10/SCR 960A-D). The common disposal must not be rewritten as separately reasoned findings for each unnamed connected assessee.

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

04 OUTCOME / IN WHOSE FAVOUR

In whose favour: Mahindra, the assessee in the narrated lead appeals

Lead Revenue appeals dismissed; 22 connected appeals disposed of accordingly

Reasoned final merits judgment; no remand

Historical wording and recorded capital-asset/previous-deduction facts; connected individual facts and assessment years not supplied

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

05 AKHB REVIEW POINT

Separate the two routes. For the historical section 28(iv) ruling, the form of the benefit was decisive; for section 41(1), identify the exact liability and match it to an actual earlier allowance or deduction. A machinery depreciation deduction is not automatically a prior deduction of the loan principal or interest. Inspect the loan use, waiver terms, books and tax-deduction record before drawing an analogy. The Court recognised the economic benefit yet found these statutory requirements unmet. The official departmental record of the Finance Act 2023 cash/kind substitution effective 1 April 2024 makes the judgment's former non-monetary threshold unsafe as an unqualified present-law proposition. Do not infer connected-case facts or an assessment year that this report does not state.

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

APPEAL AND PROCEEDING NUMBERS

Civil Appeal Nos. 6949-6950 of 2004 / Civil Appeal Nos. 5320, 5319, 890, 3624, 1214, 780, 2164 and 7951 of 2012 / Civil Appeal Nos. 4435, 4434, 4442, 4441, 4609, 4436, 4545, 4539 and 4546 of 2018 / Civil Appeal Nos. 10169 and 10168 of 2010 / Civil Appeal No. 5751 of 2011 / Civil Appeal No. 4345 of 2014 / Civil Appeal No. 6942 of 2015

DETAILED DISPOSITION AND CONNECTED GROUPS

Costs: Parties to bear their own costs

Monetary effect: Rs 57,74,064 waiver not taxable under the two provisions adjudicated; no quantified tax/refund/payment order

Proceeding outcomes

1.

Case number: Civil Appeal Nos. 6949-6950 of 2004

Parties: The Commissioner v. Mahindra and Mahindra Ltd. Thrg. M.D.

Appellant role: Revenue

Assessment years:

Underlying proceeding: Bombay High Court common judgment 29 January 2003, R.A.1561(Bom)/1982 and R.A.5161/B/80

Outcome: Lead appeals dismissed; High Court result left undisturbed

Costs: Parties to bear their own costs

Pinpoint: Docket list physical 3/SCR 953C-F; paragraphs 2 and 18, physical 4/SCR 954D-E and physical 10/SCR 960C-D

2.

Case number: Civil Appeal Nos. 5320, 5319, 890, 3624, 1214, 780, 2164 and 7951 of 2012

Parties: Connected parties not separately named in this report

Appellant role: Revenue in narrated lead appeals; connected appeal-specific roles not separately stated

Assessment years:

Underlying proceeding: Not individually identified; common question stated at paragraph 2

Outcome: Disposed of accordingly under the common judgment; no separate connected-case merits analysis

Costs: Parties to bear their own costs

Pinpoint: Docket list physical 3/SCR 953C-F; paragraphs 2 and 18, physical 4/SCR 954D-E and physical 10/SCR 960C-D

3.

Case number: Civil Appeal Nos. 4435, 4434, 4442, 4441, 4609, 4436, 4545, 4539 and 4546 of 2018

Parties: Connected parties not separately named in this report

Appellant role: Revenue in narrated lead appeals; connected appeal-specific roles not separately stated

Assessment years:

Underlying proceeding: Not individually identified; common question stated at paragraph 2

Outcome: Disposed of accordingly under the common judgment; no separate connected-case merits analysis

Costs: Parties to bear their own costs

Pinpoint: Docket list physical 3/SCR 953C-F; paragraphs 2 and 18, physical 4/SCR 954D-E and physical 10/SCR 960C-D

4.

Case number: Civil Appeal Nos. 10169 and 10168 of 2010

Parties: Connected parties not separately named in this report

Appellant role: Revenue in narrated lead appeals; connected appeal-specific roles not separately stated

Assessment years:

Underlying proceeding: Not individually identified; common question stated at paragraph 2

Outcome: Disposed of accordingly under the common judgment; no separate connected-case merits analysis

Costs: Parties to bear their own costs

Pinpoint: Docket list physical 3/SCR 953C-F; paragraphs 2 and 18, physical 4/SCR 954D-E and physical 10/SCR 960C-D

5.

Case number: Civil Appeal No. 5751 of 2011

Parties: Connected parties not separately named in this report

Appellant role: Revenue in narrated lead appeals; connected appeal-specific roles not separately stated

Assessment years:

Underlying proceeding: Not individually identified; common question stated at paragraph 2

Outcome: Disposed of accordingly under the common judgment; no separate connected-case merits analysis

Costs: Parties to bear their own costs

Pinpoint: Docket list physical 3/SCR 953C-F; paragraphs 2 and 18, physical 4/SCR 954D-E and physical 10/SCR 960C-D

6.

Case number: Civil Appeal No. 4345 of 2014

Parties: Connected parties not separately named in this report

Appellant role: Revenue in narrated lead appeals; connected appeal-specific roles not separately stated

Assessment years:

Underlying proceeding: Not individually identified; common question stated at paragraph 2

Outcome: Disposed of accordingly under the common judgment; no separate connected-case merits analysis

Costs: Parties to bear their own costs

Pinpoint: Docket list physical 3/SCR 953C-F; paragraphs 2 and 18, physical 4/SCR 954D-E and physical 10/SCR 960C-D

7.

Case number: Civil Appeal No. 6942 of 2015

Parties: Connected parties not separately named in this report

Appellant role: Revenue in narrated lead appeals; connected appeal-specific roles not separately stated

Assessment years:

Underlying proceeding: Not individually identified; common question stated at paragraph 2

Outcome: Disposed of accordingly under the common judgment; no separate connected-case merits analysis

Costs: Parties to bear their own costs

Pinpoint: Docket list physical 3/SCR 953C-F; paragraphs 2 and 18, physical 4/SCR 954D-E and physical 10/SCR 960C-D

PROPOSITION-SPECIFIC SOURCE PARAGRAPHS AND PDF PAGES

1.

Source url: [Open cited source](#)

Pdf pages: 3; 4

Paragraphs: Full 24-appeal docket and author, SCR 953-954

Source role: Judicial body except expressly identified appellate recital

2.

Source url: [Open cited source](#)

Pdf pages: 4; 5; 6; 7

Paragraphs: Facts and rival contentions, paragraphs 3-11

Source role: Judicial body except expressly identified appellate recital

3.

Source url: [Open cited source](#)

Pdf pages: 7; 8; 9; 10

Paragraphs: Separate statutory reasoning and disposition, paragraphs 12-18

Source role: Judicial body except expressly identified appellate recital

AMOUNTS AND THEIR DISTINCT REPORTED ROLES

1.

Amount: USD 650,000

Role: Agreed CIF capital-equipment price and loan described in submissions; not a Supreme Court award

2.

Amount: 6% per annum

Role: Contractual interest; Court records no section 36(1)(iii) deduction claimed

3.

Amount: Rs 57,74,064

Amount inr: 5774064

Role: Principal-loan cessation credit disputed and excluded under the two adjudicated provisions

4.

Amount: Rs 57,47,064

Amount inr: 5747064

Role: Isolated paragraph 6 variant; disclosed source anomaly, not separate amount

5.

Amount: Not stated in the reviewed record

Role: No quantified tax saving, refund or costs award; connected amounts unspecified

QUANTIFICATION AND MONETARY LIMITS

The waived liability is not a tax/refund award. The report does not supply the assessment year or connected individual quantification.

REPORTED SOURCE ANOMALIES AND THEIR LIMITS

Frozen catalogue gives only CA 6949/2004; the report identifies 24 appeals across seven docket groups. Only the lead Mahindra facts are narrated; connected parties, years and individual amounts are not supplied.; Paragraph 6/SCR 956D prints Rs 57,47,064, whereas paragraphs 3(e),5,13 and 17 and the headnote use Rs 57,74,064. The note preserves this internal amount anomaly and uses the repeatedly stated operative sum; it does not treat the variant as a second receipt.; No assessment year is expressly identified. The 30 June 1976 return date is not silently converted into an assessment year.; The report calls the financial effect a cash receipt; no fresh physical payment by the successor lender is independently found. Judicial paragraph 1 grants leave although the report bears civil-appeal numbers.

ADDITIONAL STATUTORY CONTEXT, NOT SEPARATE HOLDINGS

Companies Act, 1956: incorporation background only

JUDICIAL AUTHORSHIP AND SEPARATE OPINIONS

R.K. Agrawal, J., for the Court

ACT IDENTIFIED IN THE REVIEWED SOURCE

Income-tax Act, 1961

SPECIFIED STATUTORY CHECKS AND THEIR LIMITS

1.

Source: Income Tax Department, section 28, version labelled 2024 (No. 1)

Url: [Open cited source](#)

Pinpoint: Version label 2024(No. 1), lines 89-96

Result: Finance Act 2023 substitution recorded effective 1 April 2024, expressly including benefits in cash, kind or mixed form. This establishes a later text change affecting the historical cash-only exclusion rationale, not that every later loan waiver is taxable or that a complete current-law chain has been verified.

SPECIFIED LATER TREATMENT CHECKS AND THEIR LIMITS

1.

Status: not verified

Search date: 2026-10-06

Scope: Targeted public searches for Mahindra 2018 sections 28(iv)/41(1), including overruling and later judicial application. Official ITAT Sony India 2024 PDF was a lead only; web open failed and one raw request returned 502, then stopped. No complete later judicial decision is relied upon.

Result: No broad conclusion about approval, distinction, reversal or continued effectiveness. A search failure or absence of a result is not negative citator evidence.

Lead url: [Open cited source](#)

BOUNDED NON-PDF SOURCES AND READING LIMITS

1.

Kind: official departmental statutory web text

Title: Income Tax Department, section 28, version labelled 2024 (No. 1)

Url: [Open cited source](#)

Source url: [Open cited source](#)

Selected version: 2024 (No. 1)

Accessed date utc: 2026-10-06

Read bounds: Version label and complete clause (iv) replacement, web lines 56-58 and 89-96. Official web-derived text establishes a Finance Act, 2023 substitution effective 1 April 2024 including monetary and mixed benefits. No original HTML/PDF bytes or page images retained.

Raw source retained: False

Sha256: Not stated in the reviewed record

Physical text pages read:

Physical image pages read:

Full document read: False

Current law certification: False

SOURCE & VERIFICATION

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

Identified source rendition: 10 PDF pages; SHA-256

03bad6ab55fb081288ed08909d46dbd15db390909d795bda1596c318de20cec0. Original bytes preserved.

[Open cited source rendition](#)

full primary text read: True; all primary page images reviewed: True; material primary page images reviewed: True; source integrity verified: True; actual statutory scope verified: True; all listed proceedings accounted for: True; all authored opinions separately accounted for: True; material later treatment limits prominent: True; comprehensive later treatment verified: False; current law verified: False; mapping 2025 verified: False; independent QA complete: True; parent full prose approval: True

Printed SCR identity, judgment date, bench and all listed dockets verified against page images. Frozen INSC label and abbreviated catalogue identity retained separately without rewriting the source.

Not expressly stated in this report for the lead or connected appeals. The return date 30 June 1976 is recorded separately.

STATUTORY SCOPE

No Income-tax Act 2025 section-equivalence, commencement, transition, savings or automatic precedent carryover certified.

LATER TREATMENT

Source checked 2026-10-06. not_verified

IDENTIFIED SOURCE LINKS

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

SHA-256: 03bad6ab55fb081288ed08909d46dbd15db390909d795bda1596c318de20cec0

[Income Tax Department, section 28, version labelled 2024 \(No. 1\)](#)

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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