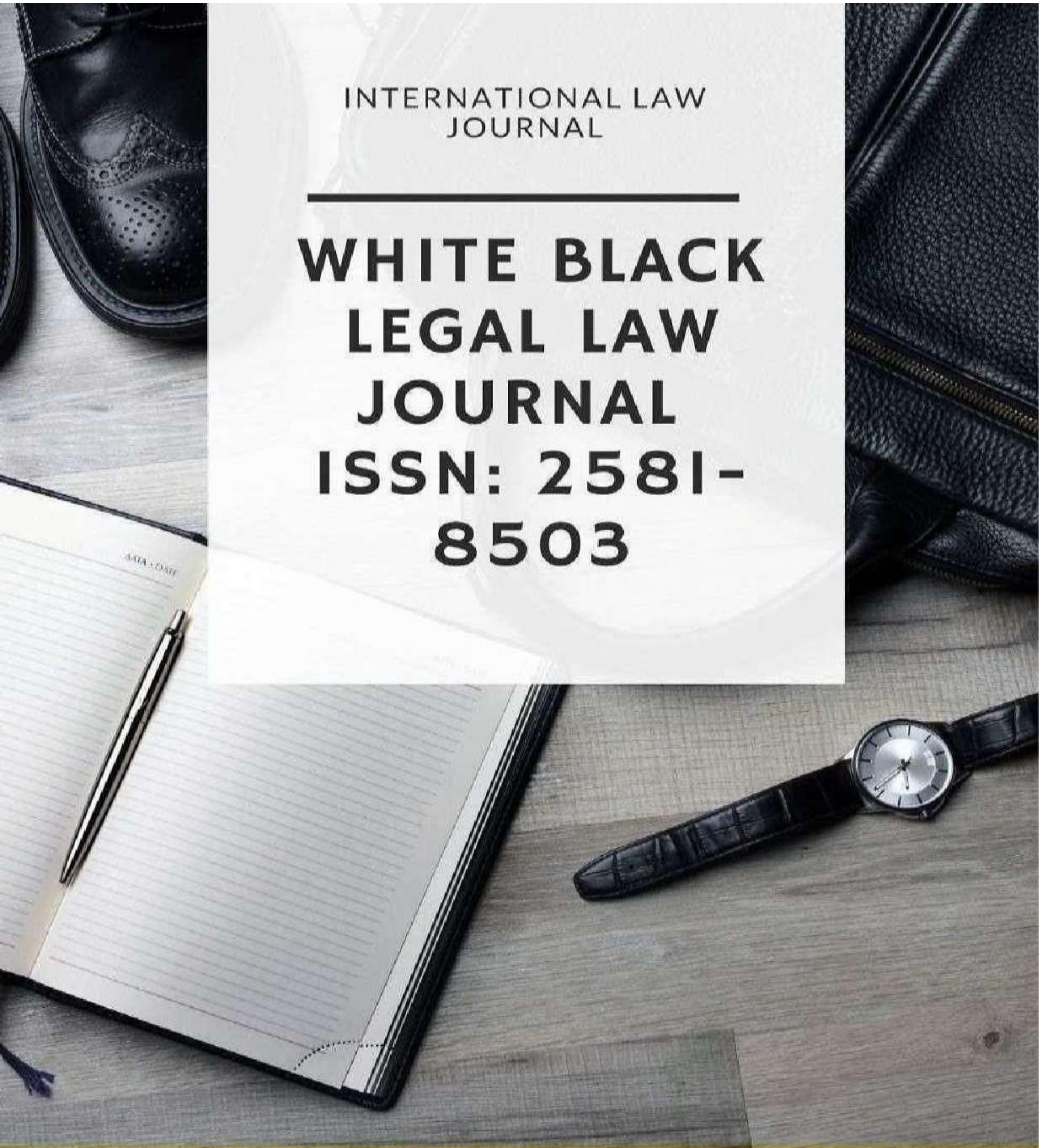

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The Law Journal strives to provide a platform for discussion of International as well as National Developments in the Field of Law.

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ABOUT US

WHITE BLACK LEGAL is an open access, peer-reviewed and refereed journal providededicated to express views on topical legal issues, thereby generating a cross current of ideas on emerging matters. This platform shall also ignite the initiative and desire of young law students to contribute in the field of law. The erudite response of legal luminaries shall be solicited to enable readers to explore challenges that lie before law makers, lawyers and the society at large, in the event of the ever changing social, economic and technological scenario.

With this thought, we hereby present to you

“KESHAV MILLS V. COMMISIONER OF INCOME TAX” (1965) 2 SCR 908: AIR 1965 SC 1636: (1965) 56 ITR 365

AUTHORED BY: PRANSHU GARG
BBA LLB (2ND YEAR)
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FACT AND ISSUES:

In this case the appellant has a registered a company in the state of former Baroda the issues has been rise in the assessment year 1942 to 1943. The accounting year of the Keshav milk companies 1941. The officer of income tax is in Ahmedabad notified the proceedings of the sale which was received in the hands of appellant In the British India and the profit outcome from these proceedings of the sale was the subject of the taxation under the Income Tax Act 1922.

Another one of the important points of the case related to the proceedings of the sale which was received by the appellant in the process of withdrawing the cheques from the shroff's and merchants of the British India. The case has been followed by the various types of levels of appeal by proceedings then both of the appellant assistant commissioner and the appellatetribunal ordered against the appellant By analyzing the issues raised by the items of the case.

The items of the Case are:

1) Proceedings of the sale received in the year of accounting through Jaganmohan das Raman Lal of 12,68,460.
2) Proceedings of this sale by the banks by using the drafts through British India 4,40,870
3) The proceedings of the sale received by the cheques on withdrawing the Indian banks of British and shroffs Of British India on hundis and merchants of British India was 6,71,735.

However, the remained case has been backed to the tribunal in events of 2 by gathering the relevant facts unnecessary facts after receiving the evidence the supplementary statements of the case has been submitted by the tribunal.

Then the High Court held that the case against the appellant matter of the position. By the way the granted permission by giving a certificate of fitness to the appellant. To file appeal to the supreme court.

The revenue stated that the tribunal should be ordered by the High Court to investigate further facts. The appellant has raised an argument that the jurisdiction does not own by the High Court by citing the previous case of pet lab Co and the new Jahangir means as the precedent by thelegal process.

The revenue has taken the consideration again by the decisions done by the Supreme Court earlier and promoted the analysis of whether the court should revise it's earlier judgments or not.

RATIO:

Law used in this case are as follows:

i. Section 66(4)[1]: Where the judgment of the High Court is varied or reversed in appeal under this section, effect shall be given to the order of [the Supreme Court] in the mannerprovided in sub-sections (5) and (7) of section 66 in the case of a judgment of the High Court.

In the case it was held that the Court upheld the argument and concluded that the High Court erred by misinterpreting its authority under Section 66(4) of the Act when it requested the supplementary statement of the case.

According to this ruling, Section 66(4) must be read in conjunction with Sections 66(1) and 66(2). When read in this way, it does not grant the High Court the authority to raise a new legal issue that is not related to the Tribunal's order or to order the Tribunal to look into newinformation that is necessary to answer a new legal question that was not referred to it under Sections 66(1) or 66(2) of the Act or to request the submission of an additional statement offacts.

This Court believes that the additions and modifications to the statement of the case that can be directed under Section 66(4) should only apply to facts that were already contained in the record but not mentioned by the Tribunal in the statement of the case.

[1] The Income Tax Act 1995

It was decided that even while the High Court had the authority to order the making of an additional statement, it was outside the scope of its authority to order the gathering of new evidence. In other words, this Court believed that when the High Court issues an order of remandunder Section 66(4) and instructs the Tribunal to provide a supplemental statement of the case, it has the authority to order the Tribunal to include information and evidence in the supplemental statement that may already be on the record but was omitted from the initial statement of the casemade under Section 66.

The ability to order the Tribunal to gather additional evidence before providing its replies to the questions posed under Sections 66(1) or 66(2) is not granted to the High Court by Section 66(4). According to the position thus adopted by this Court, the High Court's order to submit asupplemental statement of the case after hearing additional testimony was reversed, and inaccordance with the precedent set in the New Jehangir Mills case1, an order was passed allowingthe appeals and remanding the case to the High Court for it to decide the legal issue as required by Section 66(5) of the Act.

ANALYSIS

A significant legal precedent in Indian tax law was established in the Keshav Mills v. Commissioner of Income Tax (1965) case. While its primary emphasis is on deciding if spending should be categorized as capital or revenue expenditure for income tax reasons, it also established several important ratios and principles that are still used today in Indian tax law. Following are some significant ratios and ideas drawn from the case:

The case points out that the primary variable in deciding if an expense is classified as capital or revenue, is its purpose. An expense is regarded as capital in personality if it is incurred to establish, improve, or acquire a capital asset. On the other hand, it is a revenue expense if it is incurred during routine business operations.

Day-to-day vs. Long-Term Operations: The ratio of the example highlights the distinction between expenses related to current business operations and those that contribute to long-term capital structure. Long-term capital benefits-related expenses are typically regarded as capital- related expenses.

The question of whether an expense offers the firm a lasting benefit is one of the driving principles.

If it does, it will probably be categorized as a capital expense.

The example emphasizes the distinction between costs that are incurred to address currentdemands and those that are incurred to provide for future advantages. Spending on immediate requirements is more likely to be classified as revenue expenditures.

The decision emphasizes the tax repercussions of categorizing an expense as capital versus revenue. Capital expenses may be eligible for depreciation or amortization over time but are not deductible as business expenses in the year they are incurred. Revenue expenses, on the other hand, are normally deducted in the year they are incurred.

Importance of Accurate Record-Keeping: The case underlines the significance of keeping accurate records that explicitly describe the nature and purpose of each expense to justify the classification of expenditures.

Consistency in Accounting Practices: According to the case, companies should maintain consistency in their accounting procedures, particularly when classifying expenses, to prevent misunderstanding and potential tax authority conflicts.

Finally, it underlines the need to assess each case in light of its unique facts and circumstances. Depending on the particulars of each circumstance, an expense is either capital or revenue.

Important ratios and rules pertaining to the treatment of expenses for income tax reasons were established by the Keshav Mills case. It provides a solid theoretical framework forcomprehending the distinction between capital and revenue expenditures in Indian taxation and continues to be relevant in advising businesses and tax authorities when making these decisions.

JUDGEMENT:

The Supreme Court has come to the knowledge that the 2 raising issues regarding to the powers of the High Court has ordered to the tribunal to find out the further facts when investigation and the view Saudi revenue which has been supported by the authority of High Court in this case wasin the manner of reasonable by the way the view of the appellant has been challenged for this authority also reasonable.

The Supreme Court has notified the position of the appellant was followed in different depths of cases by replacing framework in a procedure for the High Court proceedings and it has been a constant practice which was in the case of new Jahangir mills. However, there is no decision has been reported and cited in the section 66 clause 4 of the constitution was taken decisionfavorable to revenues view.

In the result the Supreme Court upheld the position of appellant that it is asserting that the High Court has no possession to order the tribunal to investigate further facts for the collection of additional material and this is received and process decision in the pet lad and new Jahangir millscase.

The stare decisis Has the principles which was discussed by the core in the meaning of previous decisions and it has been notified that the principal is not absolute and the court has a unlimited power to review and reestablish the previous judgement if the reasons compellingly exist
Then the court has analyzed by revising unchecking the previous judgments should only occur if the reasons are compelling and substantial in the warrant of such revisions. There should be the fair and just among the members of the court who has been revised in the previous cases judgement.

The court came to a decision that the reasons to compel will not review and revise the previous decisions done by the court in the other cases by giving earlier decisions. And there is no order has been submitted as a report state that the decision has supporting the views of the revenue.

However in short the case has been involved the issues over whether the authority of the High Court has a power to Order the tribunal to collect the relevant and further facts investigating it and gather the additional matter of the case and the court also explained about the stare decisis Principal's by stating that when the court is revising or analyzing the earlier judgements it shouldbe only in the reasons when substantially exists which were not exist in the present case

It is clearly stated that the tribunal has prepared statement by the facts of the case and referring and the question of law to the authority of High Court under Section 66 clause 1 and stated that the question of law must have been raised out of his decision order and statements of the case should be in the manner of limited and the statements of the facts has already has been recorded by the income tax officer on before the appellate assistant commissioner or appellate tribunal however there is no chance of rising issues or no chance of raising any dispute before the question of law because statements of the tribunal should be connected with the fax which has been already recorded which has been brought by the tribunal.

Judgement in the judgment of new jehangir case[2] held that the cheques received by the proceeds of the sale in bhavnagar by the Receipt then the High Court has given the orders to the tribunals to present the statement of supplementary related to the case.

In the facts of the case all cheques has been received in bhavnagar in the form of receipts.

The tribunal has given the answer according to the question about the statement of supplementary has been received by the post and there was a question that whether there is ahelp or advised by the assesse in the form of Expressly and impliedly manner which amounts to the cheques has been Remitted in the post of bhavnagar.

The position of the High Court authority it has been given to the tribunal under the section 66 clause 2 of the constitution and explained that the jurisdiction to exercise the advisory was under section 66 clause 4 this has been dealing with the question of law rise issue from the tribunal must I have to answer the given question in connectivity of the facts of the case and the answerof the question should be done by the High Court authority. By analyzing this section 66 and the facts of the case includes that the High Court has a reasonable Chance to revise the earlier decisions and regulate the procedure according to the earlier decisions in specific or substantial issues only.

In the case of tribune press Lahore versus commissioner of income tax[3]. In that case the issues were whether the officer of income tax was liable under section 4 clause 3 subsection 1 of theact. The High Court stated the there is a huge difference. Who has been heard the judgement whohas Not and by the section 66 Clause 4 the court helder the statement of supplementary should be assemble can't carefully By the machinery to compromise and keeping up it liberal but the given paper from the news and the judge thinks that it is a very fair and nature to trust.

[2] 1959 AIR 1177,1960 SCR (1) 249
[3] (1939) 41 BOMLR 1150

After considering the facts of the case And the code helder the additional material called by the privacy council will favour the assesses According to the evidence behalf under this section 66 clause 4 will be considered by the High Court to exercise the powers.

CONCLUSION OF THE CASE:

- The renowned Indian legal proceeding "Keshav Mills v. Commissioner of Income Tax" involves tax law. This decision frequently comes up in arguments about income tax assessment and how certain expenses should be treated for tax reasons.
- The Supreme Court of India had to decide in the Keshav Mills case (Keshav Mills Co. Ltd. v. Commissioner of Income Tax, [1965] 56 ITR 365 (SC)) whether certain expenses spent by a firm might be claimed as deductions for income tax purposes.
- The primary issue in the case was whether the expenses used by the company for distributing bonus shares to its shareholders should be categorized as revenue-generating expenses (and hence deductible) or as capital expenditures (and therefore not deductible). The business wanted to write off the costs it expended for printing and distributing bonus shares from its taxable earnings.
- The Supreme Court ruled that the company's costs for issuing bonus shares were capital in nature and not deductible as revenue expenditures because they were incurred for this purpose. The Court's ruling was supported by the idea that these costs had nothing to do with managing the company's day-to-day operations and were instead incurred to expand the capital structure of the company.
- The Keshav Mills case set a significant precedent for how expenses should be treated in terms of whether they are capital or income in nature under Indian tax law. It underlined the difference between revenue expenditures, which are tax deductible, and capital expenditures, which are not, but may be subject to depreciation or amortization over time.