The Principal Commissioner of Income Tax-3 v. Gujarat Gas Ltd.

R/Tax Appeal No. 607 of 2025

R/Tax Appeal No. 607 of 2025 (Guj HC, decided 15.10.2025) | 2025-10-15

Section 263 revision rejected: established gas-manufacturing findings and actual stamp-duty payment sustained the assessment.

Income-tax Act,1961: sections 32(1)(iia), 35DD, 143(3), 144B, 260A, 263

High Court of Gujarat | 2-judge bench (Division Bench) | Bhargav D. Karia, J. | Pranav Trivedi, J.

Assessment years: 2018-19

01 FACTS OF THE CASE

For AY 2018-19, the assessment dated 19 April 2021 accepted Gujarat Gas's return. The PCIT revised it under section 263, disputing additional depreciation for gas processing and Rs.5 crore of the section 35DD claim as contingent stamp-duty provision. The ITAT set aside revision on 21 November 2024 in ITA 969/Ahd/2024. Revenue appealed.

Source: PDF pp.1–6, paras 2–2.6

02 DISCUSSION BY THE HON'BLE COURT

The High Court followed its own decision in Tax Appeal 60/2009 and allied matters concerning Gujarat Gas's manufacturing process. The earlier findings described decontamination, odorization and controlled pressurization making raw gas usable. For section 35DD, the Tribunal had found actual stamp-duty payment and consideration of the issue by the AO. The quoted evidence records Rs.42.86 crore paid in two instalments, including the Rs.25 crore provision.

Source: PDF pp.6–10,12–15

03 JUDICIAL DECISION

No question of law, much less a substantial question, arose. Revenue's Tax Appeal 607/2025 was dismissed.

Source: PDF p.15, paras 5–6

04 OUTCOME / IN WHOSE FAVOUR

The ITAT's reversal of section 263 revision stands. The source gives inconsistent additional-depreciation figures: Rs.80,89,04,325 in the proposed question, but Rs.18.89 crore elsewhere.

Source: PDF pp.2,6,12,15

05 EXPERT COMMENTS

AKHB Expert Comments — editorial analysis, distinct from the Court's findings.

The manufacturing conclusion had an established factual foundation: The Court relied on findings about this company's process in its earlier litigation. The result is not a universal declaration that compression alone constitutes manufacture. In another case, technical evidence should establish what the process does to the raw input and whether the earlier factual findings actually match. (PDF pp.12–14)

The stamp-duty dispute turned on payment evidence: The challenged component was Rs.5 crore, within the section 35DD claim of Rs.5,39,64,837. Evidence of actual payment, including the amount earlier provided for, defeated the contingent-liability premise. The prior-year proceedings were supporting history, not a rule that every accounting provision is deductible without proof of expenditure. (PDF pp.4,8–10,15)

Revision must confront the existing record: The dismissal leaves intact the Tribunal's rejection of the PCIT's premise that the assessment was erroneous and prejudicial. Its practical force lies in the already established manufacturing findings and the payment evidence. It does not eliminate inquiry requirements generally or decide an unrelated section 263 controversy. (PDF pp.8–15)

Preserve limits in reporting the precedent: The source's conflicting depreciation amounts cannot safely be reconciled by assumption. Nor was the earlier Supreme Court appeal decided on merits: the order records withdrawal for low tax effect. The High Court's own precedent is the stated foundation, not an invented Supreme Court affirmation or an unmentioned technical pressure specification. (PDF pp.2,6,11–14)

Source: PDF pp.12–14

SOURCE & VERIFICATION

High Court of Gujarat official judgment PDF - AKHB Cloud Repository (20251015_GJHC240315552025.pdf)

Complete 15-page original reviewed; source bytes verified.

Full original and all five panels re-reviewed on 21 October 2026.

Open cited source rendition

Complete original source and all five note panels checked; original docket identities preserved.

STATUTORY SCOPE

Current law and subsequent treatment not independently verified.

LATER TREATMENT

Source checked 2026-10-21. Subsequent proceedings and current judicial treatment have not been independently verified.

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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