Commissioner of Income Tax v. Himachal Engineering Co. Pvt. Ltd.

ITR 10/1995 with ITRs 2, 9, 11, 13, 14, 16, 17, 18 and 20/1995

No neutral citation stated in source | 2007-09-11

Incentive subsidy not intended to meet asset cost: depreciation cost reduction rejected under P.J. Chemicals.

32 | 43(1)

High Court of Himachal Pradesh | Division Bench | Deepak Gupta | V. K. Ahuja

Assessment years: Not specified in source

01 FACTS OF THE CASE

Ten references raised the common question whether government subsidy should reduce the actual cost of assets for depreciation under sections 32 and 43(1). The Tribunal had answered for the assessee but referred the issue in light of conflicting High Court views. The judgment supplies no subsidy amount, scheme detail or assessment-year mapping for the individual references.

Source: PDF p.1

02 DISCUSSION BY THE HON'BLE COURT

The Court referred to Ruchira Papers and applied the Supreme Court's P.J. Chemicals ruling. The quoted principle distinguished an industrial incentive, even when calculated as a percentage of asset cost, from a payment specifically intended directly or indirectly to meet that cost. The contrary Jindal Bros. Rice Mills view had been set aside by the Supreme Court.

Source: PDF p.2

03 JUDICIAL DECISION

The common reference was answered for the assessee and against Revenue on the law settled by the Supreme Court. A copy was directed to the Tribunal.

Source: PDF p.3

04 OUTCOME / IN WHOSE FAVOUR

The taxpayer-favourable treatment of subsidy without reducing actual cost for depreciation prevailed across the listed references. No quantified depreciation computation or broader subsidy-taxability ruling was made.

Source: PDF p.1

05 EXPERT COMMENTS

AKHB EXPERT COMMENTS — editorial analysis, distinct from the Court's findings.

Purpose and method of measurement are different inquiries — The adopted reasoning treats a percentage-of-cost formula as insufficient by itself to establish that the subsidy meets asset cost. The purpose of the assistance remains central. For another scheme, its operative terms must therefore support the claimed incentive character; this short judgment does not supply those terms for every grant.

The holding concerns depreciation cost, not every subsidy consequence — The referred question is confined to sections 32 and 43(1). It does not classify every subsidy as a capital receipt, exempt it from tax or decide later statutory rules. Those conclusions cannot be imported from the favourable actual-cost answer.

Preserve the common-order scope without inventing individual facts — All ten docket numbers belong to this common decision, but the source does not map separate years, amounts or schemes to them. The result may be recorded for each listed reference while leaving those missing details unstated. The cited P.J. Chemicals principle, rather than the inconsistent printed reporter year, supplies the expressed basis.

Source: PDF p.1

SOURCE & VERIFICATION

20070911_HPHC010023751995.pdf

Complete source PDF reviewed: 3 physical pages.

All 3 original pages read and visually inspected; all five panels audited.

Open cited source rendition

All three source pages read and visually inspected. The common judgment covers all ten listed references. Page 2 prints P.J. Chemicals as AIR 1984 SC 2727; the note names the authority without endorsing that unverified reporter year.

STATUTORY SCOPE

Sections 32 and 43(1); actual-cost question decided by applying P.J. Chemicals. No assessment years or subsidy amounts stated.

LATER TREATMENT

Source checked 2026-10-21. Subsequent treatment has 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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