Jai Kumar Muni Chand v. Commissioner of Income Tax

ITR 24/1995

No neutral citation stated in source | 2007-10-29

Deduction of disputed retrospective sales-tax enhancement allowed when litigation and stay ended.

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

Assessment years: 1983-84

01 FACTS OF THE CASE

The forest contractor's 3 July 1979 agreement carried sales tax at 10%. A retrospective amendment effective 1 February 1979 increased the rate. After the High Court dismissed its challenge, the Supreme Court granted a stay on 18 June 1980; the litigation ended and stay was vacated on 18 November 1982. The contractor then paid and claimed the Rs.3,15,000 enhancement in AY 1983-84. The claim was rejected as relating to an earlier mercantile year.

Source: PDF p.1

02 DISCUSSION BY THE HON'BLE COURT

The Court acknowledged ordinary mercantile accrual of statutory sales tax, but distinguished the disputed retrospective enhancement and operative stay from the admitted original 10% liability. It applied the disputed-right reasoning in Hindustan Housing and found the enhancement liability arose upon final adjudication on 18 November 1982. Arvind Industries, O.E.N. India and Alembic Chemical Works were discussed; the contrary Aggarwal Rice approach was noted.

Source: PDF p.3

03 JUDICIAL DECISION

The contractor was entitled to deduct the Rs.3,15,000 sales-tax enhancement in AY 1983-84. The reference was answered for the assessee and a copy directed to the Tribunal.

Source: PDF p.8

04 OUTCOME / IN WHOSE FAVOUR

Assessee succeeded on the year of deduction for the disputed enhancement. This was an income-tax deduction decision, not an order reducing or invalidating the sales-tax levy.

Source: PDF p.2

05 EXPERT COMMENTS

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

The retrospective enhancement must be separated from the admitted tax — The Court expressly left the original 10% liability in its ordinary accounting year. Its different treatment concerned only the later retrospective increment, actively challenged under a valid stay. That distinction prevents the result from becoming a general election to postpone any statutory expense until payment.

The litigation chronology supplied the crystallization event — Final adjudication and vacation of the stay on 18 November 1982 were the stated reasons for recognizing the disputed amount in AY 1983-84. For a comparable claim, the challenged liability, stay terms and final order must establish the same sequence; a pending dispute or later payment alone does not reproduce these facts.

Do not import a separate payment-based statute or later-law conclusion — The judgment reasons from accrual and cited cases, not a numbered payment-based deduction provision. It notes a contrary judicial approach and distinguishes the factual situation. Its historical result therefore should not be presented as a universal rule for every tax liability or as clearance under later deduction regimes.

Source: PDF p.2

SOURCE & VERIFICATION

20071029_HPHC010029361995.pdf

Complete source PDF reviewed: 8 physical pages.

All 8 original pages read and visually inspected; all five panels audited.

Open cited source rendition

All eight original pages read and visually inspected. Reporter details for Arvind Industries and Aggarwal Rice are irregular/incomplete in the source; the note does not silently reconstruct them.

STATUTORY SCOPE

Income-tax deduction timing under mercantile accounting; retrospective H.P. sales-tax enhancement is the underlying expense. No numbered Income-tax provision is 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.

PROFESSIONAL DISCLAIMER

General research information only; not legal or tax advice, a certified judgment or a substitute for the full order. Applicability depends on facts, assessment year, statutory version and jurisdiction. Subsequent treatment is unverified unless identified sources are expressly stated. Downloading does not create a professional engagement. Obtain case-specific advice before reliance.