H.P. Mineral and Industrial Development Corporation, Shimla v. Commissioner of Income Tax, Patiala

ITR 26/1995

No neutral citation stated in source | 2008-01-10

Post-accrual waiver of subsidiary-loan interest did not erase mercantile income.

256(2) | 36(1)(vii)

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

Assessment years: 1982-83

01 FACTS OF THE CASE

The government-owned corporation advanced temporary loans to subsidiaries and followed mercantile accounting. For AY 1982-83, closing on 31 March 1982, it made no interest provision and relied on a Board waiver resolution dated 26 June 1983. The authorities held that interest had already accrued and commercial exigency was not established; the reference concerned addition of Rs.15 lakh interest.

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02 DISCUSSION BY THE HON'BLE COURT

The Court considered real-income authorities but held that the concept could not defeat accrued liability under the Act. It relied particularly on State Bank of Travancore and Shiv Prakash Janak Raj; the waiver had to precede accrual and rest on commercial expediency. Godhra Electricity involved court restraints on recovery and was distinguished. UCO Bank did not assist on this record. A bad-debt deduction required compliance with the applicable statute.

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03 JUDICIAL DECISION

The Tribunal's decision was upheld and the reference answered for Revenue. The later resolution did not undo income already accrued by the accounting-year end. A copy of the judgment was directed to the Tribunal.

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04 OUTCOME / IN WHOSE FAVOUR

The Rs.15 lakh interest addition survived for AY 1982-83. No bad-debt deduction was granted and the Court did not quantify any separate principal-loan write-off.

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05 EXPERT COMMENTS

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

A later waiver and absence of accrual are different propositions — The decisive chronology is 31 March 1982 versus 26 June 1983. The corporation did not establish a pre-accrual change that prevented the right to interest from arising. Omitting the interest from its books and later surrendering it could not by themselves convert accrued income into hypothetical income.

Real-income precedents require comparable legal and commercial facts — Godhra Electricity concerned litigation and court restrictions on recovering enhanced charges. Those features were absent here. A related-company waiver therefore cannot rely on that result without evidence of a comparable impediment to accrual; the commercial basis and effective timing of the waiver remain material.

A bad-debt claim is a separate statutory route — The Court expressly separated non-accrual from deduction of a debt that had become bad. It quoted the historical section 36(1)(vii) standard and granted no deduction. The decision should not be used either as proof of an allowed write-off or as a statement of the requirements under later versions of that provision.

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SOURCE & VERIFICATION

20080110_HPHC010053811995.pdf

Complete source PDF reviewed: 7 physical pages.

All 7 original pages read and visually inspected; all five panels audited.

Open cited source rendition

All seven source pages read and visually inspected. Accounting year ended 31 March 1982; waiver resolution dated 26 June 1983. The final discussion alternates loan and interest waiver language, but the referred issue is Rs.15 lakh interest.

STATUTORY SCOPE

Section 256(2) reference on Rs.15 lakh accrued interest; historical section 36(1)(vii) discussed separately.

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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