Pr. Commissioner of Income-tax-2, Bengaluru & Anr. v. M/s. Karnataka Power Corporation Limited

ITA No. 289 of 2021

2025:KHC:38280-DB | ITA No. 289 of 2021 (Karnataka High Court, decided 23 September 2025) | 2025-09-23

Section 154(7): later effect order on two unrelated revision issues did not restart limitation for the untouched section 80IA deduction.

Income-tax Act, 1961: sections 80IA, 143(3), 154(7), 254, 260A and 263

High Court of Karnataka | 2-judge bench (Division Bench) | Hon'ble Mr. Justice S.G. Pandit | Hon'ble Mr. Justice K.V. Aravind

Assessment years: 2002-03

01 FACTS OF THE CASE

For AY 2002-03, the 10 February 2005 assessment left the section 80IA deduction undisturbed. Section 263 revision concerned only donation of assets of Rs.2,18,08,292 and loss of assets of Rs.2,19,73,292. Following the Tribunal proceedings, an effect order was made on 20 October 2011. On 28 March 2012, the AO purported to rectify that order by withdrawing the Rs.80.55 crore deduction. CIT(A) rejected the appeal on 22 November 2016; ITAT held rectification late on 11 January 2021 in ITA 282/Bang/2017.

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02 DISCUSSION BY THE HON'BLE COURT

The Court identified the issue actually changed, rather than accepting Revenue's description of the later order. Section 80IA had not been a subject of the revision or Tribunal appeal. Rectification of the 2011 effect order could not go beyond those two revision issues. Withdrawal of the untouched deduction was effectively rectification of the original 2005 assessment; limitation under section 154(7) therefore related to that original order.

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03 JUDICIAL DECISION

Revenue's appeal was dismissed and the substantial questions answered for the assessee. The 28 March 2012 rectification was barred by limitation.

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04 OUTCOME / IN WHOSE FAVOUR

The Tribunal's limitation relief survived. The Court did not independently adjudicate substantive eligibility or recompute the section 80IA deduction; the withdrawal failed because the rectification was late.

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05 EXPERT COMMENTS

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

Map each later order to the issue it actually decided — The revision dealt with donation and loss of assets, leaving section 80IA untouched. That issue-specific history defeated the claim that the 2011 effect order supplied a new starting point for rectifying the deduction. In another record, compare the revision directions, appellate issues and effect order before selecting the order relevant to limitation.

A later date did not reopen an unchanged deduction — Revenue's broad merger argument could not overcome the limited subject matter of the intervening proceedings. The holding does not say every later order is irrelevant: the decisive fact was that this deduction had not been considered in those proceedings. Nor does the judgment determine whether the proposed withdrawal was otherwise a mistake apparent from the record.

Limitation success is distinct from substantive deduction approval — The practical result preserved the Rs.80.55 crore deduction against this rectification attempt. It is not an independent merits ruling on power-unit losses or a fresh computation of eligible profits. The source identifies the original order and finds the 2012 action outside four years; it does not supply a separately worked last-day calculation or rely on named merger precedents.

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SOURCE & VERIFICATION

High Court of Karnataka official judgment PDF — AKHB Repository (20250923_KAHC010324342021.pdf)

9-page official High Court of Karnataka order/judgment PDF (20250923_KAHC010324342021.pdf, 89,920 bytes).

All 9 original pages read and visually inspected; all five panels audited.

Open cited source rendition

All 9 physical pages of 20250923_KAHC010324342021.pdf (89,920 bytes, SHA-256: 4de6ed2a6c0d4e62a5223b2a05c9b48d7a7eeb20acc49d01179148afcb26a302) extracted and verified page-by-page. Google Drive File ID in 1_Substantive_Precedents: 1nTJhz_YwKvoIx1mTF_DFq5DNEGbf4whD.

STATUTORY SCOPE

The reasoning concerns identification of the order actually rectified. The judgment does not analyse section 154(1A) or cite Alagendran Finance or Ashoka Buildcon.

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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