Commissioner of Income Tax v. Sri Ramakrishna Mills (Cbe) Ltd.

T.C.(A) 27/2004

No neutral citation stated in source | 2007-02-26

Sales tax and excise excluded from 80HHC turnover; electricity and letter-of-credit deposit interest excluded from 80HH/80-I relief.

80HHC | 80HH | 80-I | 260A

High Court of Judicature at Madras | Division Bench | P.D. Dinakaran | Chitra Venkataraman

Assessment years: 1991-92

Historical source review

The judgment is summarized as delivered. Subsequent appeals and current judicial treatment have not been verified.

01 FACTS OF THE CASE

Revenue appealed the Tribunal's 10 July 2003 order for assessment year 1991-92. Two issues arose: inclusion of collected sales tax and excise duty in total turnover for section 80HHC, and eligibility of interest on Tamil Nadu Electricity Board deposits and letter-of-credit margin money for sections 80HH and 80-I.

Source: PDF p.1

02 DISCUSSION BY THE HON'BLE COURT

On Revenue's fair submission, the Court followed Wheels India to exclude sales tax and excise duty from total turnover. For interest it applied Pandian Chemicals: the electricity deposit was one step removed from the undertaking and lacked direct derivation. Madras Motors similarly excluded letter-of-credit deposit interest; the Court extended that reasoning to section 80-I.

Source: PDF p.2

03 JUDICIAL DECISION

Question one was answered against Revenue. Question two was answered for Revenue and the appeal allowed on that issue. The closing order allowed the appeal accordingly, without costs.

Source: PDF p.2

04 OUTCOME / IN WHOSE FAVOUR

The result was mixed: the taxpayer retained the turnover exclusion for section 80HHC but lost deduction eligibility for the specified interest under sections 80HH and 80-I. No amounts or revised tax computation are stated.

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05 EXPERT COMMENTS

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

The two computations must remain separate — The turnover ruling concerns the denominator used for export relief, while the interest ruling concerns profits derived from an industrial undertaking. Treating the final appeal-allowed sentence as a total Revenue victory would erase the express first-question result. A computation following this judgment must preserve both answers.

Commercial necessity did not establish direct derivation — An electricity deposit may be needed to operate the undertaking and margin money may enable a letter of credit, yet the Court treated their interest as arising from the deposits. The reasoning requires tracing the immediate source of the receipt, rather than stopping at its usefulness to business. It does not decide every receipt connected with an industrial undertaking.

Exclusion from deduction is not a complete head-of-income ruling — The disputed question described business profits, but the operative analysis tests eligibility under sections 80HH and 80-I. The Court gives no separate assessment under another income head or net-interest calculation. Those matters cannot be added to the result, and the historical assessment year must remain attached to the deduction analysis.

Source: PDF p.1

SOURCE & VERIFICATION

High Court of Judicature at Madras official judgment PDF (20070226_HCMA011735942004.pdf)

Complete 4-page court PDF read for this correction.

All 4 original pages read and visually inspected; all five panels audited.

Open cited source rendition

All four source pages read and visually inspected, including endorsements and final date page. Closing appeal-allowed wording is qualified by the express taxpayer success on question one.

STATUTORY SCOPE

Assessment year 1991-92; distinct computations under sections 80HHC and 80HH/80-I.

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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