Commissioner of Income-tax v. Sak Soft Ltd.

T.C.(A) 586/2007

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Section 263 revision failed where section 10B treatment of limited domestic sales was a permissible view.

10B | 263 | 260A

High Court of Judicature at Madras | Division Bench | P.D. Dinakaran | P.P.S. Janarthana Raja

Assessment years: 2001-02

Historical source review

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

01 FACTS OF THE CASE

The STPI-registered software exporter returned nil income for assessment year 2001-02 after claiming section 10B relief on Rs.34,91,520 profit. It furnished export-realisation details in scrutiny; the judgment records receipt within six months. Domestic sales of Rs.78,01,754 were below 25% of total turnover of Rs.3,48,84,904. The Commissioner revised the assessment under section 263, objecting to the deduction computation; the Tribunal quashed revision.

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02 DISCUSSION BY THE HON'BLE COURT

The Court required both error and prejudice for section 263 jurisdiction. Under the proviso applicable to that year, profits from qualifying domestic software sales were deemed export profits. It accepted the Tribunal's view that the Assessing Officer had adopted a possible interpretation and followed Malabar Industrial Co.: disagreement with a permissible view did not establish a revisable error.

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03 JUDICIAL DECISION

Finding no substantial question of law and no illegality in the Tribunal's order, the Court dismissed Revenue's tax case without costs.

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04 OUTCOME / IN WHOSE FAVOUR

The order quashing section 263 revision survived, leaving the assessment undisturbed by that revision. The judgment does not decide the treatment of domestic sales exceeding 25% or certify relief for later statutory periods.

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05 EXPERT COMMENTS

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

The possible view had a specific statutory and factual basis — The domestic-sales figure was below the threshold and the year's proviso deemed the related profits export profits. The protection against revision was therefore tied to an identified legal route and computation, not merely the taxpayer's assertion that another view was conceivable. Comparable reliance should establish the applicable text and the facts making the assessment view legally sustainable.

Revenue disagreement did not satisfy both revision conditions — The Commissioner favoured a turnover-ratio computation, but the Court treated the Assessing Officer's alternative as permissible under the historical proviso. The quoted Malabar principle preserves the qualification that an unsustainable view is different. This decision should not be used to excuse a demonstrable statutory error or to assume that every assessment is immune from revision.

The threshold hypotheticals were not the facts decided — The reproduced Tribunal reasoning discusses what might happen if domestic sales exceeded 25%; these sales did not. No answer to that hypothetical should be presented as this appeal's holding. The docket, date and 2001-02 assessment should remain attached to the analysis so that this historical revision dispute is not mistaken for a general computation ruling.

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SOURCE & VERIFICATION

High Court of Judicature at Madras official judgment PDF (20070613_HCMA011172462007.pdf)

Complete 5-page court PDF read for this correction.

All 5 original pages read and visually inspected; all five panels audited.

Open cited source rendition

All five source pages read and visually inspected, including endorsements. Proposed question two says one interpretation, but the reasoning expressly rests on two possible views. No later-year entitlement is verified.

STATUTORY SCOPE

Historical section 10B proviso for assessment year 2001-02 and section 263 twin conditions.

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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