M/s. Vedanta Limited v. Commissioner of Income Tax, Salem

T.C.A. No. 910 of 2010 (in ITAT ITA No. 1801/Mds/2004)

T.C.A. No. 910 of 2010 (Mad HC, decided 19.02.2025) | 2025-02-19

AY 1996-97 depreciation set-off: later eight-year restriction inapplicable; section 154 limitation question expressly left unanswered.

Income-tax Act,1961: sections 32(2), 154, 154(7), 260A

High Court of Judicature at Madras | 2-judge bench (Division Bench) | Justice S.S. Sundar | Justice C. Saravanan

Assessment years: 1996-97

01 FACTS OF THE CASE

Vedanta challenged the ITAT order of 28 April 2006 concerning AY 1996-97. Unused depreciation from AY 1982-83 was Rs.1,05,49,851. The disputed set-off was Rs.66,91,068. Earlier treatment in the AY 1990-91 record and the time limit for rectifying that order had led to rejection of the claim; CIT(A) had directed reconsideration from past records.

Source: PDF pp.1–8

02 DISCUSSION BY THE HON'BLE COURT

The Court examined the successive versions of section 32(2). The eight-year restriction introduced from 1 April 1997 was prospective and did not govern AY 1996-97. The unused depreciation could not be treated as having lapsed on that basis. Paragraph 42 expressly declined to answer the section 154 limitation question.

Source: PDF pp.13–18, paras 30–42

03 JUDICIAL DECISION

The substantial questions were answered for the assessee, subject to the express non-answer on limitation. The tax appeal was allowed without costs.

Source: PDF pp.18–19, paras 42–44

04 OUTCOME / IN WHOSE FAVOUR

Assessee succeeded on the depreciation issue; no general extension or waiver of section 154's time limit was declared.

Source: PDF pp.18–19

05 EXPERT COMMENTS

AKHB Expert Comments — editorial analysis, distinct from the Court's findings.

Match the statutory version to the set-off year: The origin of the depreciation in AY 1982-83 did not make the later 1997 restriction applicable to its claimed use in AY 1996-97. The decisive sequence was the year of set-off and the amendment's commencement. The Court also describes the later removal of the cap, but its result does not depend on applying that later regime retrospectively. (PDF pp.13–18)

Reconcile the balance and the amount claimed: Rs.1,05,49,851 was the unused depreciation pool; Rs.66,91,068 was the set-off at issue. The earlier record had treated the amount as business loss and marked it expired. A supporting reconciliation should distinguish depreciation from business loss and track actual use year by year; the judgment proceeded on undisputed non-use, not a licence to revive exhausted amounts. (PDF pp.4–8,13)

Do not turn this into a rectification-limit precedent: The quoted Tribunal reasoning discusses the four-year bar for the AY 1990-91 order, yet paragraph 42 says the impugned order rested on the depreciation amendment and expressly declines the limitation question. That tension is material. The decision cannot safely be cited as resetting limitation from the later assessment or as dispensing with section 154(7); those propositions were not decided. (PDF pp.3,7,18)

Source: PDF pp.13–18

SOURCE & VERIFICATION

Original High Court judgment PDF — AKHB source repository

Complete 20-page original reviewed; source bytes verified.

Full original and all five panels re-reviewed on 21 October 2026.

Open cited source rendition

Complete original source and all five note panels checked; original docket identities preserved.

STATUTORY SCOPE

Current law and subsequent treatment not independently verified.

LATER TREATMENT

Source checked 2026-10-21. Subsequent proceedings and current judicial treatment have 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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