M/s Tamil Nadu Small Industries Development Corporation Ltd. v. The Income Tax Officer (OSD), Circle III(1), Chennai & Anr.

TCA No. 259 of 2012

2026:MHC:772 | 2026-01-29

Prior-period industrial estate maintenance expenditure of Rs. 1,64,47,348 (incurred in FY 2002-03 above 4% G.O. ceiling) not deductible in AY 2004-05 under mercantile system, but Revenue directed to consider the genuine expenditure for AY 2003-04 upon filing of revised computation within 4 weeks.

Income-tax Act, 1961: sections 254 and 260A; mercantile accounting discussed

High Court of Judicature at Madras | 2-judge bench (Division Bench) | Dr. Anita Sumanth, J. | Mummineni Sudheer Kumar, J.

Assessment years: 2004-05, 2003-04

Dismissal with a conditional earlier-year direction

AY 2004–05 relief was refused. Revenue was directed to consider AY 2003–04 expenditure only if SIDCO furnished a revised computation within four weeks from 29 January 2026. The judgment does not establish subsequent compliance or final allowance.

01 FACTS OF THE CASE

SIDCO maintained six government industrial estates under a 1982 order restricting government reimbursement by categories totalling 4% of capital cost. It sought reimbursement on actual expenditure and ultimately absorbed excess costs, including Rs.1,64,47,348 relating to FY 2002–03, in the AY 2004–05 claim. The AO and appellate authorities rejected that amount as prior-period expenditure under mercantile accounting. The challenged ITAT order was dated 30 April 2012 in ITA 1660/Mds/2008. SIDCO also sought an alternative direction to consider the claim in AY 2003–04.

Source: Prayer and own paras.1,3–9; PDF pp.1–5

02 DISCUSSION BY THE HON'BLE COURT

The Court examined the government correspondence, CAG objection and expenditure schedule. The quoted audit objection concerned overstatement of income by recognising reimbursement beyond the government ceiling; it was not a finding that the expenditure was fictitious. Genuineness was undisputed before the Tribunal and High Court. After considering the cited authorities specifically on an earlier-year direction, the Court granted conditional consideration for AY 2003–04 while maintaining the adverse result for AY 2004–05.

Source: Own paras.10–17; PDF pp.5–9

03 JUDICIAL DECISION

The questions were answered for Revenue and the appeal dismissed without costs, subject to liberty for SIDCO to furnish a revised AY 2003–04 computation within four weeks from the judgment. On that condition, Revenue was directed to consider the expenditure claim for that year.

Source: Own paras.16–17; PDF p.9

04 OUTCOME / IN WHOSE FAVOUR

SIDCO lost the AY 2004–05 appeal but obtained a route to consideration in AY 2003–04. This was a direction to consider, not an unconditional allowance or evidence that a revised computation was later filed.

Source: Own paras.14–17; PDF pp.8–9

05 EXPERT COMMENTS

Separate expense timing from expected reimbursement — The record involves both costs incurred and reimbursement recognised in anticipation of government approval. Reconcile the expense ledger, government receivable and later absorption rather than assume that rejection of reimbursement necessarily shifts the expense to that year. The Court retained the prior-period disallowance while addressing the distinct possibility of relief in the proper year.

Build the alternative prayer with primary evidence — The itemised schedule and undisputed genuineness supported consideration of the earlier-year claim. An alternative prayer should identify the precise amount and year, supported by accounts, correspondence and the authorities' findings. Merely describing an expense as genuine does not establish that every jurisdictional or procedural requirement for another year has been satisfied.

Read the condition and the remedy exactly — The four-week period ran from 29 January 2026, not from a later reading of the case note. The direction was to consider a revised computation, not to allow the deduction automatically. For case administration, preserve filing and receipt evidence and obtain the resulting decision; neither timely compliance nor final allowance is demonstrated by this judgment.

Do not turn exceptional relief into a general filing rule — The Court relied on the total circumstances, the government-company context and undisputed expenditure. It considered the cited decisions solely for the earlier-year direction. This supports making a reasoned alternative request, but does not establish an unrestricted power to reopen any closed year or transfer expenditure whenever an appeal on timing fails.

Source: Editorial analysis; own paras.5–17; PDF pp.3–9

SOURCE & VERIFICATION

Madras High Court official digital judgment PDF - AKHB Cloud Repository

Ten-page judgment; own paragraphs 1–17 appear on PDF pages 2–9, with audit and accounting-note extracts.

All 10 original pages read and visually inspected; source hash verified. AI-assisted substantive correction.

Open cited source rendition

Source bytes and identity checked; see panel-specific references and disclosed source anomalies.

STATUTORY SCOPE

AY 2004–05 appeal with conditional direction to consider AY 2003–04. Sections 254 and 260A are expressly printed; no general extension of filing time is declared.

LATER TREATMENT

Source checked 2026-10-21. Subsequent treatment not 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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