Commissioner of Income Tax, Karnal v. Piccadily Agro Industries Ltd.

ITA 362/2006

No neutral citation stated in source | 2007-08-06

Actual trial production constitutes business use for depreciation; revision rejected.

32 | 263 | 260A

High Court of Punjab and Haryana | Division Bench | M.M. Kumar | Ajay Kumar Mittal

Assessment years: 1996-97

01 FACTS OF THE CASE

The sugar manufacturer returned a loss of Rs.4,55,41,581 for AY 1996-97. Trial production began on 23 February 1996, consuming sugarcane worth Rs.2,80,71,662 with manufacturing expenses of Rs.20,88,295. The Assessing Officer allowed Rs.4,37,61,018 depreciation. The Commissioner revised the assessment under section 263 because commercial production had not begun; the Tribunal set aside that revision.

Source: PDF p.1

02 DISCUSSION BY THE HON'BLE COURT

Section 32 required use for business, not optimum or full commercial production. Undisputed sugar production, raw-material consumption and manufacturing expenses demonstrated actual use. The Court approved Ashima Syntex and referred to Liquidators of Pursa on use during part of the accounting year. It found no legal infirmity in the Tribunal's rejection of revision.

Source: PDF p.4

03 JUDICIAL DECISION

Revenue's appeal was dismissed. The Tribunal's order setting aside the section 263 revision remained effective.

Source: PDF p.8

04 OUTCOME / IN WHOSE FAVOUR

The assessee succeeded against revision founded on absence of commercial production. The Court did not independently resolve the separate appeal arising from the consequential assessment, described as pending in the source.

Source: PDF p.2

05 EXPERT COMMENTS

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

Actual trial operation was the decisive evidence — This was not a case of an installed but idle factory. The Court relied on a dated production start, substantial sugarcane consumption and manufacturing expenditure. Those facts established business use despite the trial label. The practical comparison is therefore with proved operational use; the judgment does not decide whether mere readiness or installation alone qualifies.

The revision challenge depended on a mistaken legal premise — The Commissioner treated absence of commercial production as disqualifying. Once the Court accepted trial production as business use under section 32, that stated basis for treating the assessment as erroneous and prejudicial failed. The decision is tied to this depreciation ground; it does not immunise assessments from revision on unrelated errors.

Eligibility and the quantum conditions remain separate — The judgment reproduces the historical provision, including the restriction for assets used for less than 180 days, but the contested question concerned use without commercial production. It gives no separate computation ruling on the depreciation percentage. Nor should dismissal of this revision appeal be described as a decision of every issue in the consequential-assessment proceedings.

Source: PDF p.2

SOURCE & VERIFICATION

20070806_PHHC010750742006.pdf

Complete source PDF reviewed: 8 physical pages.

All 8 original pages read and visually inspected; all five panels audited.

Open cited source rendition

All eight source pages read and visually inspected. Page 2 once says section 262 in the consequential-assessment narrative, while the impugned revision and question consistently identify section 263.

STATUTORY SCOPE

Section 32 as applicable to AY 1996-97; no independent ruling on depreciation rate.

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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