Commissioner of Income Tax, Jodhpur v. Anop Udai Works

Income Tax Reference Application 64/1998

Income Tax Reference Application 64/1998 | 2007-05-28

Terminal-allowance issue ordered to be referred; merits deferred

32(1)(iii) | 256(2)

High Court of Judicature for Rajasthan | Jodhpur | P.B. Majmudar | Dinesh Maheshwari

Assessment years: 1983-84

01 FACTS OF THE CASE

The saree manufacturer claimed terminal allowance of Rs.1,31,305 for allegedly discarded copper rolls in AY 1983-84. The officer and first appellate authority treated the entry as revaluation. The Tribunal allowed the claim on the premise that other usable rolls existed, then refused a reference as factual. Revenue applied under section 256(2).

Source: PDF pp.1–5

02 DISCUSSION BY THE HON'BLE COURT

The Court examined the account entry covering the entire stock, continuing manufacture and absence of newly purchased rolls. It found the Tribunal's assumption of a separate stock of usable rolls contrary to the record. The issue was actual discarding versus revaluation, not whether the assessee's commercial decision to discard was desirable. A question of law required consideration on a stated case.

Source: PDF pp.6–10

03 JUDICIAL DECISION

The reference application was allowed. The Tribunal was directed to state the case with necessary facts and particulars and refer the proposed question on section 32(1)(iii) to the High Court. The Court expressly declined to decide the merits at this stage.

Source: PDF p.10

04 OUTCOME / IN WHOSE FAVOUR

Revenue obtained a reference direction only. No final High Court answer allowing or disallowing the terminal allowance was given. The claim is stated as Rs.1,31,305 in the proceedings, whereas the reproduced account calculation uses Rs.1,31,303; that source difference is preserved.

Source: PDF pp.2,6–7,10

05 EXPERT COMMENTS

The fact of discarding differs from commercial wisdom — The cited Nagari Mills decision left commercial desirability to the taxpayer but required an actual discarding and write-off. Here the Court questioned whether discarding occurred at all, because the entry covered the whole stock and production continued. That distinction prevents a commercial-judgment argument from substituting for proof of what happened to the assets.

Reconcile the asset pool with the accounting entry — The Tribunal assumed usable rolls remained outside the claimed discard. The High Court found no such separate stock on the record: the entire opening value was reduced by a weight-based market valuation. The important enquiry was how manufacturing continued without new rolls if all existing rolls had been discarded. It was not a general rule that physical retention always defeats a genuine discard.

A reference direction is not the eventual answer — The Court required a fully stated case despite the age of the matter and rejected an invitation to decide the merits immediately. Strong criticism of the Tribunal's factual premise explains why the reference was required; it must not be misreported as the final determination of the historical allowance. The separately printed calculation amounts should likewise not be silently harmonised into a new tax figure.

Source: Editorial analysis; source references in the structured comments

SOURCE & VERIFICATION

Rajasthan High Court order; verified source copy

Complete source PDF reviewed: 10 physical pages.

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

Sections and disposition are recorded only to the extent stated in this source order.

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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