

Union of India & Others v. Coromandel Fertilizers Limited & Anr.

Civil Appeals Nos.969-972 of 1975

[1976] 2 SCR 894 | 1975-12-09

Whether a shareholder can obtain former section 80K relief, and the company the related section 197(3) withholding certificate, when the company qualifies for section 80J but cannot actually absorb a deduction in the year because brought-forward losses and depreciation leave no assessable income.

80J(1), (3) and (4) (historical company deduction, deficiency carry-forward and qualifying conditions) | 80K (historical shareholder dividend deduction) | 80A(2) (Chapter VI-A ceiling) | 197(3) (former certificate relating to section 80K dividends)

Two-judge bench | P.K. Goswami, J. | N.L. Untwalia, J.

Assessment years: 1969-70, 1970-71, 1971-72, 1973-74

Former company/shareholder scheme and operative-text caution

This is a historical sections 80J/80K and former section 197(3) decision. The company's qualification and the dividend's attribution to qualifying profits remain necessary; present inability to absorb the company deduction did not defeat the shareholder's separately worded entitlement. Section 80A(2) was not removed, and certificates remained subject to proper computation under the relevant rules. The report inconsistently describes the intervening carry-forward AY and records a certificate request before the stated board recommendation. Its final paragraph dismisses the appeals and says "the impugned orders are set aside", without expressly identifying which orders that phrase denotes. This note preserves that wording together with the clear favourable entitlement and computation direction, without supplying a referent. All four appeals and the no-costs order are retained. Only the section 80J omission is confirmed by a bounded official statutory check. Original PDF unchanged. Comprehensive later treatment, current law and 2025 mapping are not verified.

01 FACTS OF THE CASE

Coromandel manufactured fertilisers at Visakhapatnam, commencing production in December 1967. Its compliance with section 80J(4)'s qualifying conditions was undisputed. One respondent shareholder held 200 of its 95,82,010 issued equity shares. The company's first assessment as an industrial undertaking was for AY 1969-70; the source records assessment orders dated 23 November 1972 and 4 January 1973, unabsorbed losses of Rs.11,10,176 and unabsorbed depreciation of Rs.9,73,93,861 (physical pages 2-3/SCR 895 G-896 C).

The Officer determined an initial section 80J relevant amount of Rs.2,44,36,901 for ten operating months, derived from the six-percent capital calculation, and carried it forward as deficiency because there were no profits to absorb it. A further entitlement of Rs.2,58,31,806 was also carried forward. The body's allocation of the latter amount to a particular annual sequence is internally inconsistent, so this note does not repair it by assumption (physical page 3/SCR 896 C-E).

For accounting year 1972, corresponding to AY 1973-74, the company made commercial profit of about Rs.4.55 crores. Income after current depreciation was stated at about Rs.6.16 crores, but brought-forward losses and depreciation exceeded it; no income-tax was assessable up to that assessment year. The directors recommended a maiden dividend of Rs.76,65,508 on 14 March 1973. The source also records a 3 March 1973 request for a section 197(3) certificate so tax need not be withheld from qualifying dividends. The Officer refused on the ground that shareholders were not entitled to section 80K relief (physical pages 3-4/SCR 896 E-897 A).

The Andhra Pradesh High Court held the shareholders entitled to the deduction and the company entitled to the relevant certificate. The Revenue brought four special-leave appeals, Civil Appeals Nos.969-972 of 1975, from the High Court's 18 September 1974 judgment; the report's appellate metadata lists Writ Petitions Nos.2279-80 of 1973 and 4305 of 1974 (physical pages 2 and 4/SCR 895 E-G, 897 B).

Source: See the proposition-specific paragraph and PDF-page references below.

02 DISCUSSION BY THE HON'BLE COURT

The Revenue relied on the earlier decision discussed as G.S. Sivan Pillai, concerning section 15C of the 1922 Act. The Court reproduced that provision and passages from the earlier decision: relief there was tied to taxable profits, and a shareholder could not obtain exemption when the company had no taxable profits qualifying under section 15C(1). Those passages state the earlier case's rule, not the final construction of former sections 80J and 80K in this appeal (physical pages 4-5/SCR 897 C-898 E).

The Court then set out the materially changed legislation. Former section 80J(1) allowed a qualifying deduction by reference to six percent of capital employed, within its statutory conditions. Section 80J(3) expressly carried forward deficiency, including the relevant amount where there were no such profits and gains, for later set-off subject to the stated periods and ordering rules. The quoted text limited the ordinary initial generation window by reference to the fourth assessment year, extended it for cooperative societies, and barred carry-forward beyond the seventh assessment year from the end of the initial assessment year. These historical statutory periods are not current deadlines (physical pages 5-7/SCR 898 F-900 A).

Former section 80K, subject to Board rules, allowed the shareholder a deduction only for the part of dividend attributable to the specified company profits and gains. Its language included profits in respect of which the company was entitled to a deduction under section 80J. The Court treated that entitlement language, together with the new deficiency carry-forward mechanism, as decisive. An actual absorbed deduction in the particular year was not required to permit the corresponding shareholder relief. The mere existence of commercial profit was not an independent exemption, and the Court did not dispense with the company's eligibility or the required dividend attribution (physical page 7/SCR 900 A-G).

The Revenue also invoked section 80A(2), under which aggregate Chapter VI-A deductions could not exceed gross total income. The Court did not erase that ceiling for the company. It rejected using the company's present inability to absorb a deduction to deny the shareholder the separate former section 80K relief. Otherwise the company could enjoy later deficiency set-off while the shareholder permanently lost relief on a dividend declared in the earlier year. The entitlement wording avoided that disparity and preserved the intended correspondence between company and shareholder under the changed scheme (physical pages 7-8/SCR 900 H-901 C).

The company was accordingly entitled to the appropriate former section 197(3) certificate and was not required to deduct tax at source on the qualifying dividends in question. The final direction retained an important limit: the company could approach the Officers for certificates admissible on proper computation under the relevant rules. No quantified blanket certificate or modern dividend exemption was issued by the Supreme Court (physical page 8/SCR 901 D-E).

Source: See the proposition-specific paragraph and PDF-page references below.

03 JUDICIAL DECISION

The Court dismissed all four Revenue appeals and held the company entitled to approach the Income-tax Officers for appropriate section 197(3) certificates, admissible on proper computation under the relevant rules. It made no order as to costs. The operative paragraph also prints that the impugned orders are set aside immediately after dismissing the appeals. The referent of “the impugned orders” is not expressly identified in that paragraph; this note preserves those words without assigning them to either the High Court judgment or the Officers’ refusals (physical page 8/SCR 901 D-E).

Source: See the proposition-specific paragraph and PDF-page references below.

04 OUTCOME / IN WHOSE FAVOUR

In whose favour: Company and respondent shareholders

Four Revenue appeals dismissed; company may seek properly computed former section 197(3) certificates; no order as to costs

Former section 80K entitlement issue finally determined; certificate computation left to Income-tax Officers under the relevant rules

Company’s section 80J eligibility and shareholder dividend attribution remain necessary; no unlimited company deduction despite section 80A(2), no automatic certificate amount, and no current dividend-law conclusion.

Source: See the proposition-specific paragraph and PDF-page references below.

05 AKHB REVIEW POINT

Keep the identity of the claimant and the statutory condition separate. The company’s entitlement to a historical section 80J benefit, its ability to use it immediately, the shareholder’s attributable dividend relief, and the withholding certificate were different questions. This decision turns on former section 80K’s entitlement language and the company’s express deficiency carry-forward facility. It should not be generalized into a rule that all Chapter VI-A deductions may be claimed without gross total income.

Bounded later statutory check: the official section 80J page, labelled 2015, records omission by the Finance (No.2) Act, 1996 retrospectively from 1 April 1989. This establishes one historical limit only. Complete section 80K and section 197(3) omission-page reads were not obtained, so no precise later-history conclusion for those provisions is certified here; the source judgment itself establishes that the adjudicated scheme is historical.

Source: See the proposition-specific paragraph and PDF-page references below.

PROPOSITION-SPECIFIC SOURCE PARAGRAPHS AND PDF PAGES**1.****Topic:** Caption, actual date and bench**Source url:** [Open cited source](#)**Pdf pages:** 1**Paragraphs:** SCR 894 heading**Source role:** reported metadata**2.****Topic:** Full four-appeal group, High Court metadata and judicial opening**Source url:** [Open cited source](#)**Pdf pages:** 2**Paragraphs:** SCR 895 E-H**Source role:** reported metadata and judicial text**3.****Topic:** Company qualification, assessments, deficiency, AY anomaly and dividend**Source url:** [Open cited source](#)**Pdf pages:** 3; 4**Paragraphs:** SCR 896 A-897 B**Source role:** judicial text**4.****Topic:** Earlier section 15C and Pillai passages distinguished**Source url:** [Open cited source](#)**Pdf pages:** 4; 5**Paragraphs:** SCR 897 C-898 E**Source role:** quoted statute and authority**5.****Topic:** Former section 80J deduction and deficiency carry-forward text**Source url:** [Open cited source](#)**Pdf pages:** 5; 6; 7**Paragraphs:** SCR 898 F-900 A**Source role:** judicial text and quoted statute**6.****Topic:** Former section 80K attribution and entitlement construction**Source url:** [Open cited source](#)**Pdf pages:** 7**Paragraphs:** SCR 900 A-G

Source role: judicial text and quoted statute

7.

Topic: Section 80A(2) contention, company/shareholder parity, certificate limits, disposition and costs

Source url: [Open cited source](#)

Pdf pages: 7; 8

Paragraphs: SCR 900 H-901 E

Source role: judicial text

8.

Topic: Only omission of section 80J by Finance (No. 2) Act, 1996 retrospectively from 1 April 1989; no complete amendment history, section 80K/197(3) omission certification or present-law conclusion.

Source url: [Open cited source](#)

Html read bounds: Section identity/version and complete section 80J omission entry, rendered lines 38-65

Version: 2015, as labelled by the official section page

Source role: bounded official statutory html

ADDITIONAL STATUTORY CONTEXT, NOT SEPARATE HOLDINGS

The holding concerns the language of former section 80K, attributable dividend income, the company's entitlement under section 80J and deficiency carry-forward under section 80J(3). It does not disapply the company's section 80A(2) ceiling or permit an actual company deduction from nonexistent gross total income. The particular certificate remained subject to proper computation under relevant rules.

JUDICIAL AUTHORSHIP AND SEPARATE OPINIONS

P.K. Goswami, J.

ACT IDENTIFIED IN THE REVIEWED SOURCE

Income-tax Act, 1961: former company industrial-undertaking deduction, shareholder dividend relief and withholding-certificate scheme

OTHER STATUTORY PROVISIONS AND THEIR SEPARATE SCOPE

Indian Income-tax Act, 1922: section 15C(1), (3) and (4), discussed only to distinguish the earlier shareholder/company scheme; Finance (No.2) Act, 1967: historical Chapter VI-A substitution effective 1 April 1968 as recorded in the judgment

DATED OFFICIAL STATUTORY HTML COMPARISONS AND READING LIMITS

1.

Kind: official statutory html bounded

Title: Income-tax Act, 1961: section 80J, official 2015 compilation

Url: [Open cited source](#)

Version: 2015, as labelled by the official section page

Accessed at: 2026-10-05T02:25:33.674224+00:00

Read bounds: Section identity/version and complete section 80J omission entry, rendered lines 38-65

Bounded read complete: True

Reliance limit: Only omission of section 80J by Finance (No. 2) Act, 1996 retrospectively from 1 April 1989; no complete amendment history, section 80K/197(3) omission certification or present-law conclusion.

Provenance: Official Income Tax Department statutory HTML. Read as rendered by web tool; no frozen-file hash, byte count or PDF pagination claimed.

SOURCE & VERIFICATION

Hon'ble Supreme Court source PDF (reported judgment)

Identified source rendition: 8 PDF pages; SHA-256

1f896fabea554f14b8c2a699d1345c5c2499f0fdc026773a73f27b13ac6c9449. Original bytes preserved.

Judicial body begins physical page 2/SCR 895 G (Goswami, J.) and ends physical page 8/SCR 901 E with certificate-computation direction and no order as to costs, followed by reporter Appeals dismissed. Page 1 and upper page 2 are reporter headnote; appellate metadata at SCR 895 E-G. No neighbouring judgment.

Open cited source rendition

full primary text read: True; all primary page images reviewed: True; source integrity verified: True; actual statutory scope verified: True; later treatment comprehensive: not_verified; current law status: not_verified; statutory mapping 2025: not_verified

The judgment was delivered in 1975; 1976 is the SCR report year.

Judgment date is 9 December 1975, despite the 1976 report year. The source records four appeals, not just the catalogue's lead Civil Appeal No.969 of 1975.; At SCR 896 D-E the judicial text calls the next assessment year 1971-72 and then carries its deficiency forward to the succeeding assessment year 1971-72. The headnote instead refers to 1970-71. No silent correction or exhaustive reconstructed AY list is supplied.; SCR 896 G-H records the board recommendation on 14 March 1973 and certificate request on 3 March 1973; the chronological order is retained without inventing a corrected date.; The earlier Pillai authority has inconsistent names and a printed ITR first-page citation in different parts of the report. Its quoted section 15C rule is clearly identified as earlier authority; no independently verified citation or separate full-source review is claimed.; The section 80J(3) quotation at SCR 899 D prints definition where the surrounding provision discusses deficiency. The note states the substantive shortfall/carry-forward mechanism without treating the anomaly as a distinct term.; The operative paragraph at SCR 901 D-E says appeals dismissed and "the impugned orders are set aside", without expressly identifying the referent of the latter phrase. The favourable entitlement and proper-computation direction are clear; the note neither assigns that phrase to the High Court judgment or the Officers' refusals nor treats it as a quantified blanket certificate.; The company's gross-total-income ceiling was not abolished. The shareholder's separately worded historical relief and the company's later deficiency set-off are essential.

The first company assessment is expressly AY 1969-70, and the dividend arose from accounting year 1972 corresponding to AY 1973-74. SCR 896 D-E inconsistently labels a next assessment and its succeeding year both 1971-72, whereas the headnote refers to 1970-71. The list includes the expressly recited 1970-71 and 1971-72 historical assessment/carry-forward years without fixing the inconsistent allocation of the second deficiency. AY 1974-75 is mentioned only as a prospective carry-forward destination; shareholder-specific assessment years are not separately fixed by the source.

STATUTORY SCOPE

No automatic mapping to the Income-tax Act, 2025 or certification of present law. Historical enactments and provision versions remain explicit.

LATER TREATMENT

Source checked 2026-10-05. not_verified. No later judicial-treatment search is certified. Bounded official statutory HTML check(s) are separately registered; they establish only the historical changes specified there. No comprehensive citation history, amendment chain, current-law certification or 2025 mapping verified.

IDENTIFIED SOURCE LINKS

[reported judgment - PDF pages: 8](#)

SHA-256: 1f896fabea554f14b8c2a699d1345c5c2499f0fdc026773a73f27b13ac6c9449

[Income-tax Act, 1961: section 80L, official 2015 compilation](#)

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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