

Cambay Electric Supply Industrial Co. Ltd. v. Commissioner of Income-tax, Gujarat-II, Ahmedabad (and vice versa)

Civil Appeal No. 785 (NT) of 1977 (assessee) / Civil Appeal No. 783 (NT) of 1977 (Revenue)

[1978] 3 SCR 660 | 1978-04-11

For the historical eight-percent industrial deduction under section 80E(1), whether the section 41(2) balancing charge entered qualifying profits and whether the same business's unabsorbed depreciation and development rebate had to be deducted first.

80E(1) (historical specified-industries deduction) | 2(45) | 29 | 32(2) | 33(2) | 41(2) | 72(1)-(2) (discussion; carried-forward loss not directly in issue) | 263 (procedural history)

Two-judge bench | Y.V. Chandrachud, C.J. | V.D. Tulzapurkar, J.

Assessment years: 1967-68

Historical industrial section 80E; same-business computation

This is the former eight-percent industrial-profit deduction, not the later education-loan section 80E. Cambay includes the balancing charge and deducts the same business's unabsorbed depreciation/development rebate before the percentage calculation; carried-forward business losses were not directly in issue. Later Canara Workshops expressly separates other-industry losses. Both Cambay appeals were dismissed, with no order as to costs. Comprehensive later treatment, current applicability and 2025 mapping are not verified.

01 FACTS OF THE CASE

Cambay generated and distributed electricity. For AY 1967-68 it had business income of Rs.46,319 and a section 41(2) balancing charge of Rs.7,55,807 from selling old machinery and buildings. Earlier unabsorbed depreciation of Rs.1,42,955 and development rebate of Rs.1,11,658 totalled Rs.2,54,613. The Income-tax Officer applied the eight-percent deduction to Rs.8,02,126 before deducting those carried-forward items (physical page 4/SCR 663 C-H).

The Additional Commissioner revised the assessment under section 263, disputing both inclusion of the balancing charge and the failure to deduct the carried-forward items first. The Tribunal restored the assessment. On reference, the Gujarat High Court accepted the balancing-charge inclusion but required the depreciation and development-rebate deduction before the eight-percent calculation. Revenue appealed the first answer in C.A.783 (NT)/1977; the assessee appealed the second in C.A.785 (NT)/1977 (physical pages 5-6/SCR 664 A-665 C).

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

02 DISCUSSION BY THE HON'BLE COURT

The historical section 80E(1) required three steps: compute total income under the other provisions of the Act; identify the component attributable to the specified industry; and deduct eight percent of that component. Business computation under section 29 applied sections 30–43A, including the section 41(2) balancing charge. That amount therefore entered the computation irrespective of arguments about its underlying capital or revenue character (physical pages 7–9/SCR 666 E–668 A).

The Court did not decide whether the apparently differing characterizations of balancing charges in Bipinchandra Maganlal and Express Newspapers genuinely conflicted. It relied on the statutory computation scheme. Treating the charge as business income for this calculation remained within the purpose of the section 41(2) fiction. The expression attributable to was broader than derived from; the chosen wording supported including these receipts in the industrial component (physical pages 9–11/SCR 668 B–670 A).

The same computation requirement also applied section 32(2) and section 33(2). Accordingly, Rs.2,54,613 of unabsorbed depreciation and development rebate had to be deducted from Rs.8,02,126, leaving Rs.5,47,513 as the base for the eight-percent deduction. Total income meant statutory income, not commercial profit (physical pages 11–12/SCR 670 B–671 A).

Carried-forward business losses were expressly not directly before the Court. It nevertheless rejected the assessee's analogy from High Court decisions on such losses: section 72 bears on statutory computation, and a special incentive does not independently justify ignoring applicable adjustments. Balanoor Tea's different issue, losses of a non-priority business versus priority-business profits, did not answer the present question (physical pages 12–15/SCR 671 B–674 A).

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

03 JUDICIAL DECISION

Both appeals were dismissed. The Revenue failed on exclusion of the Rs.7,55,807 balancing charge; the assessee failed on computing the deduction before its Rs.2,54,613 carried-forward depreciation and development rebate. The High Court's Rs.5,47,513 base for the eight-percent deduction stood. There was expressly no order as to costs in either appeal (physical pages 11 and 15/SCR 670 A–E and 674 A–B).

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

04 OUTCOME / IN WHOSE FAVOUR

In whose favour: Mixed: assessee on balancing-charge inclusion; Revenue on prior deduction of the carried-forward depreciation and development rebate

Revenue C.A.783 (NT)/1977 and assessee C.A.785 (NT)/1977 both dismissed; no costs order in either

Final merits adjudication of both reference answers under the historical industrial deduction

The actual computation concerns one electricity business and specified statutory items. The Court expressly acknowledged that carried-forward business losses were not directly in issue and did not decide the true character conflict of balancing-charge precedents.

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

05 AKHB REVIEW POINT

Begin with the exact statutory vintage and computation base. Cambay's eight-percent industrial deduction under the then section 80E is not the later education-loan provision bearing that number. Its calculation demonstrates that the same business's statutory balancing charge and carried-forward allowances enter the computation before the special percentage is applied.

Do not turn its discussion of section 72 into a holding on every kind of loss, or its attributable-to wording into a rule for provisions using derived-from language. The separate-industry boundary matters: the bounded later Canara Workshops comparison below expressly distinguishes the present same-business items from losses of another industry. Nor did Cambay settle the abstract capital/revenue character of every balancing charge.

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

PROPOSITION-SPECIFIC SOURCE PARAGRAPHS AND PDF PAGES

1.

Topic: Date, bench and full two-appeal group

Source url: [Open cited source](#)

Pdf pages: 1; 4; 6

Paragraphs: SCR 660 heading; 663 A–B; 665 B–C

Source role: reported metadata and judicial text

2.

Topic: AY, source figures and lower proceedings

Source url: [Open cited source](#)

Pdf pages: 4; 5; 6

Paragraphs: SCR 663 C–665 C

Source role: judicial text

3.

Topic: Historical text and three-step computation

Source url: [Open cited source](#)

Pdf pages: 7; 8; 9

Paragraphs: SCR 666 E–668 A

Source role: judicial text

4.

Topic: Reserved character issue, legal fiction and attributable-to wording

Source url: [Open cited source](#)

Pdf pages: 9; 10; 11

Paragraphs: SCR 668 B–670 A

Source role: judicial text

5.

Topic: Same-business depreciation and development-rebate deduction; affirmed base

Source url: [Open cited source](#)

Pdf pages: 11; 12

Paragraphs: SCR 670 B–671 A

Source role: judicial text

6.

Topic: Carried-forward-loss qualification and different-industry comparison

Source url: [Open cited source](#)

Pdf pages: 13; 14; 15

Paragraphs: SCR 672 A–674 A

Source role: judicial text

7.

Topic: Two appeal outcomes and no order as to costs

Source url: [Open cited source](#)

Pdf pages: 11; 15

Paragraphs: SCR 670 A and 674 A–B

Source role: judicial text

8.

Topic: Bounded later same-business versus other-industry clarification

Source url: [Open cited source](#)

Pdf pages: 7; 8; 9

Paragraphs: SCR 172 B–G; 173 A–D and H; 174 A

Source role: later judgment bounded comparison

9.

Topic: Official identity and actual 1978 date corroboration

Source url: [Open cited source](#)

Pdf pages: 404

Paragraphs: Entry 6617, printed page 402; 1978 INSC 83

Source role: official case metadata corroboration

10.

Topic: Bounded statutory comparison: Income-tax Act, 1961, section 80-I

Source url: [Open cited source](#)

Pdf pages:

Paragraphs: Version 1997; Full section and historical footnotes read. Reliance limited to footnote 31 for industrial section 80E/80-I identity and subsection (6) for the later express sole-source computation fiction.

Source role: official hosted consolidation with editorial history

11.

Topic: Bounded statutory comparison: Income-tax Act, 1961, section 80E

Source url: [Open cited source](#)

Pdf pages:

Paragraphs: Version 1997; Complete section 80E and footnote 67; later education-loan provision identity and its stated insertion effective 1 April 1995. Historical footnote is editorial history, not a separately downloaded original Finance Act.

Source role: official hosted consolidation with editorial history

12.

Topic: Bounded statutory comparison: Income-tax Act, 1961, section 80E

Source url: [Open cited source](#)

Pdf pages:

Paragraphs: Version 2021; Complete section 80E; used solely to corroborate later higher-education-loan-interest subject matter, not current eligibility.

Source role: official hosted statutory consolidation

JUDICIAL AUTHORSHIP AND SEPARATE OPINIONS

V.D. Tulzapurkar, J.

ACT IDENTIFIED IN THE REVIEWED SOURCE

Income-tax Act, 1961 (historical section 80E industrial deduction for AY 1967-68)

OTHER STATUTORY PROVISIONS AND THEIR SEPARATE SCOPE

Indian Income-tax Act, 1922, sections 10(2)(vii) and 23A, through earlier authorities explaining balancing charges; not governing provisions

SPECIFIED LATER JUDICIAL OR STATUTORY CHECKS AND THEIR LIMITS

1.

Kind: later judgment scope clarification

Status: bounded verified

Source url: [Open cited source](#)

Finding: Canara Workshops construes Cambay as same-business computation and distinguishes losses or unabsorbed depreciation of other industries for historical section 80E.

Pinpoints: Physical pages 7–9/SCR 172 B–G, 173 A–D and 173 H–174 A

Limit: Does not establish rules for every later industrial deduction or certify continuing statutory applicability.

2.

Kind: historical number reuse

Status: bounded verified

Source urls: <https://www.incometaxindia.gov.in/w/section-80-i-14>; <https://www.incometaxindia.gov.in/w/section-80e-20>; <https://www.incometaxindia.gov.in/w/section-80e-54>

Finding: Industrial section 80E and later higher-education-loan section 80E are different provisions. Historical dates are supported by official-hosted editorial footnotes; the education-loan operative subject matter is independently visible in the 2021 text.

Limit: No direct successor inference from reused section numbers; no current-law/2025 crosswalk.

SOURCE & VERIFICATION

[Hon'ble Supreme Court source PDF \(reported judgment\)](#)

Identified source rendition: 15 PDF pages; SHA-256

960266df099813011b98c7b26da987fa38cc4ed1bf631c9925c149362fa035a0. Original bytes preserved.

Unnumbered judicial body begins physical page 4/SCR 663 B and ends physical page 15/SCR 674 B. Pages 1–3 and top of page 4 are reporter material and appellate preface; no neighbouring judgment.

[Open cited source rendition](#)

Both Civil Appeals 785 (NT)/1977 and 783 (NT)/1977 are covered; each appellant lost its own appeal, and costs were expressly left unordered.; Section 80E in this decision is the historical eight-percent specified-industries provision. A later section with the same number concerns education loans.; Carried-forward business losses were not directly in issue (SCR 672 A–B); the Court discussed them to reject the assessee's analogy.; Whether the apparently divergent balancing-charge characterizations in earlier decisions were truly inconsistent was expressly left unnecessary to decide (SCR 668 H–669 A).; The computation figures Rs.8,02,126 less Rs.2,54,613 equal Rs.5,47,513; this base, rather than a newly calculated tax liability or rounded relief amount, is the affirmed figure.

Accounting year ended 31 March 1967; prior years' depreciation and development rebate were carried into that assessment. Earlier AYs are not individually stated.

STATUTORY SCOPE

No automatic mapping to the Income-tax Act, 2025 and no present-law certification. Verify the applicable statutory version separately.

LATER TREATMENT

Source checked 2026-10-05. not_verified. One later Supreme Court comparator was checked in full bounded context: Canara Workshops, 15 July 1986, [1986] 3 SCR 166, especially 172–174, explains that Cambay's balancing charge and carried-forward allowances belonged to the same electricity business and distinguishes loss or unabsorbed depreciation of another industry. This is scope clarification/application, not overruling. CBDT historical editorial footnotes record replacement of the industrial section 80E by section 80-I from 1 April 1968 and insertion of the later education-loan section 80E from 1 April 1995; the 2021 section 80E text confirms that different subject matter. No complete citator, Gazette chain, current-law certification or 2025 mapping.

IDENTIFIED SOURCE LINKS

[reported judgment - PDF pages: 15](#)

SHA-256: 960266df099813011b98c7b26da987fa38cc4ed1bf631c9925c149362fa035a0

[official case metadata index - PDF pages: 1738](#)

SHA-256: 70ec8d62e1d6e7cd26cab7295fc4310b9aa55c61fcd8bb5f3ff5e97f7b29030

[later judgment bounded comparison - PDF pages: 9](#)

SHA-256: 2e083659e2d7006b0b5c0869287b533b7a8b951f5d28940146f04ba9b5f54335

[official hosted consolidation with editorial history](#)

SHA-256: 9219163eb8b004e0b8f91f00e6208128f119b9688416ddbeb9c932931e3c5344

[official hosted consolidation with editorial history](#)

SHA-256: 97233b13f6025abf65acd8814686107eb7d64417f3957d5c0bad326626c28042

[official hosted statutory consolidation](#)

SHA-256: 8c0c706a08a5a4ab391fd6f97919e7410ed43b1dba196d37cdbea967a82ee6a2

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