

Commissioner of Income-tax, Patiala v. Patiala Flour Mills Co. Pvt. Ltd., Patiala

Civil Appeal No. 2395 of 1977

[1979] 1 SCR 1128 | 1978-10-06

Whether, when calculating AY 1970-71 relief under historical section 80J(1) and (3), the cold-storage undertaking's earlier losses, depreciation and development rebate could be notionally deducted again after they had already been fully absorbed against other-business profits.

80J(1)–(4) (historical) | 70 | 71 | 32(2) | 84 (historical transition discussed)

Three-judge bench | P.N. Bhagwati, J. | V.D. Tulzapurkar, J. | R.S. Pathak, J.

Assessment years: 1970-71 (appeal assessment), 1967-68 (earlier deficiency), 1968-69 (earlier deficiency), 1969-70 (earlier deficiency)

Historical section 80J; no revival of already-absorbed items

Patiala concerns AY 1970-71 and earlier losses/allowances admittedly fully used against other businesses. It prevents their second deduction and applies the current section 80J amount before older deficiencies; it does not ignore genuinely unabsorbed items or control later provisions with express standalone-computation fictions. Use the operative Rs.83,391 figure, not the inconsistent Rs.83,891 recital. The obscured date is corroborated as 6 October 1978; the printed section 32A(2) reference is not a separate holding. Section 80J's later omission was separately checked. Comprehensive later treatment, current applicability and 2025 mapping are not verified.

01 FACTS OF THE CASE

The assessee company ran several businesses, including a qualifying new cold-storage undertaking established in the accounting year relevant to AY 1967-68. The cold-storage business had no profit in AYs 1967-68, 1968-69 and 1969-70. Its losses, depreciation allowance and development rebate had already been completely set off against profits of other businesses; nothing remained unabsorbed for carry-forward. In AY 1970-71 the cold-storage undertaking earned Rs.1,51,011 after the current year's depreciation and development rebate (physical page 3/SCR 1130 D–H).

The assessee claimed its current section 80J amount and earlier deficiencies. Those deficiencies were Rs.11,155 for 1967-68, Rs.1,14,153 for 1968-69 and Rs.90,228 for 1969-70. The Income-tax Officer accepted the figures but treated the undertaking in isolation and notionally deducted its earlier already-absorbed losses and allowances again, thereby denying relief. The Appellate Assistant Commissioner agreed; the Tribunal and Punjab and Haryana High Court upheld the assessee's claim. Revenue brought C.A.2395/1977 against the High Court's 28 October 1976 decision in I.T. Reference 16/1974 (physical pages 3 and 6–8/SCR 1130 A–B and 1133 D–1135 C).

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

02 DISCUSSION BY THE HON'BLE COURT

The judgment set out the historical section 80J scheme: a current deduction measured by six percent of prescribed capital employed; relief in the initial assessment year and the four succeeding years; and carry-forward of the separate deficiency, subject to the stated seventh-year endpoint and earlier-deficiency priority. The quoted section 80J(3) includes assessment years commencing on or after 1 April 1967, while the narrative states section 80J replaced section 84 from 1 April 1968. This supports the earlier-year deficiency treatment actually adjudicated, not a freestanding present-law transition rule (physical pages 4–6/SCR 1131 A–1133 C).

The relevant undertaking profit was the profit computed under the Act for inclusion in total income. The then section 80J(1) did not create a second computation or a fiction treating the undertaking as the assessee's only business from inception. Once earlier losses and allowances had been fully absorbed against other income, they could not be revived and adjusted a second time for this deduction. The same profit base governed section 80J(3), after the current deduction (physical pages 8–10/SCR 1135 D–1137 A).

Applying that rule, the Court deducted Rs.83,391 from Rs.1,51,011 under section 80J(1), leaving Rs.67,620. The earliest deficiency, Rs.11,155 for 1967–68, was deducted next. The remaining Rs.56,465 was absorbed by part of the 1968–69 deficiency, so the undertaking's profit includible in total income became nil. The Court did not deduct the whole 1968–69 and 1969–70 deficiencies in 1970–71; the actual sequence exhausts that year's profit sooner (physical page 10/SCR 1137 B–F).

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

03 JUDICIAL DECISION

The Supreme Court upheld the High Court's answer in the assessee's favour and dismissed the Revenue appeal with costs. The cold-storage profit for AY 1970–71, Rs.1,51,011, was not reduced again by already-absorbed prior losses or allowances and was fully covered by the current section 80J deduction plus the specified earlier deficiencies (physical page 10/SCR 1137 B–G).

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

04 OUTCOME / IN WHOSE FAVOUR

In whose favour: Assessee

Revenue C.A.2395/1977 dismissed with costs; High Court's favourable reference answer upheld

Final substantive application of historical section 80J computation and deficiency ordering

The earlier losses and allowances were admittedly fully absorbed. The decision does not disregard genuinely unabsorbed items or supply a rule for later incentives containing a distinct sole-source or separate-undertaking fiction.

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

05 AKHB REVIEW POINT

Keep three different things separate: ordinary business losses and allowances already used in earlier assessments, the current deduction measured by capital employed, and carried-forward section 80J deficiency. The Court prevented the first category from being deducted twice, then applied the current amount and older deficiencies in their statutory order. It did not award a second deduction for losses or approve an unlimited incentive set-off.

For the worked result use Rs.83,391, repeated in the facts and operative calculation, not the Rs.83,891 printed in the headnote and the intermediate Tribunal recital. The operative arithmetic independently reconciles: Rs.1,51,011 less Rs.83,391 is Rs.67,620, then less Rs.11,155 is Rs.56,465. The report also prints section 32A(2) while discussing development rebate; do not silently transform that incidental reference into an independent holding. Later incentives require their own text and assessment-year analysis, particularly if they contain an express standalone-computation fiction.

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

PROPOSITION-SPECIFIC SOURCE PARAGRAPHS AND PDF PAGES

1.

Topic: Heading, full appeal number and originating reference

Source url: [Open cited source](#)

Pdf pages: 1; 3

Paragraphs: SCR 1128 heading and 1130 A–D

Source role: reported metadata and judicial text

2.

Topic: Relevant AYs and full earlier absorption

Source url: [Open cited source](#)

Pdf pages: 3

Paragraphs: SCR 1130 D–H

Source role: judicial text

3.

Topic: Historical section 80J scheme and primary-supported transition

Source url: [Open cited source](#)

Pdf pages: 4; 5; 6

Paragraphs: SCR 1131 A–1133 C

Source role: judicial text

4.

Topic: Deficiency amounts, current amount and lower-order theory

Source url: [Open cited source](#)

Pdf pages: 6; 7; 8

Paragraphs: SCR 1133 D–1135 C

Source role: judicial text

5.

Topic: No second computation or fictional revival of absorbed items

Source url: [Open cited source](#)

Pdf pages: 8; 9; 10

Paragraphs: SCR 1135 D–1137 A

Source role: judicial text

6.

Topic: Exact operative calculation and favourable dismissal with costs

Source url: [Open cited source](#)

Pdf pages: 10

Paragraphs: SCR 1137 B–G

Source role: judicial text

7.

Topic: Printed amount and section-reference cautions

Source url: [Open cited source](#)

Pdf pages: 6; 8; 9; 10

Paragraphs: SCR 1133 E; 1135 A; 1136 E–F; 1137 D

Source role: judicial text

8.

Topic: Official identity and actual 1978 date corroboration

Source url: [Open cited source](#)

Pdf pages: 411

Paragraphs: Entry 6734, printed page 409; 1978 INSC 200

Source role: official case metadata corroboration

9.

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

Source url: [Open cited source](#)

Pdf pages:

Paragraphs: Version 2015; Entire short omission entry; records Finance (No.2) Act, 1996 omission retrospectively from 1 April 1989.

Source role: official hosted statutory consolidation

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

JUDICIAL AUTHORSHIP AND SEPARATE OPINIONS

P.N. Bhagwati, J.

ACT IDENTIFIED IN THE REVIEWED SOURCE

Income-tax Act, 1961 (historical section 80J current deduction and carried-forward deficiency)

OTHER STATUTORY PROVISIONS AND THEIR SEPARATE SCOPE

Finance Act, 1967, replacement of section 84 by section 80J effective 1 April 1968, as stated at SCR 1131 A; Printed section 32A(2) reference at SCR 1136 E–F retained as a source anomaly; no independent investment-allowance holding extracted

SPECIFIED LATER JUDICIAL OR STATUTORY CHECKS AND THEIR LIMITS

1.

Kind: later statutory omission

Status: bounded verified

Source url: [Open cited source](#)

Finding: The version-labelled 2015 entry records section 80J omitted by Finance (No.2) Act, 1996 with retrospective effect from 1 April 1989.

Limit: Omission entry checked; original enactment/Gazette chain and savings or transitional effects not comprehensively reviewed.

2.

Kind: later distinct statutory text

Status: bounded verified

Source url: [Open cited source](#)

Finding: Section 80-I(6), in the official-hosted 1997 consolidation, expressly uses a sole-source fiction for computation. This is a distinct text comparison, not an application of that section to Patiala's AY 1970-71.

Limit: No adjudication of section 80-I relief here and no universal statement about all later industrial incentives.

SOURCE & VERIFICATION

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

Identified source rendition: 10 PDF pages; SHA-256

253a812eed44288100b58e5b0f872c0fdbae27c7f96285696173173878e78bdc. Original bytes preserved.

Unnumbered judicial body begins physical page 3/SCR 1130 D and ends physical page 10/SCR 1137 G. Pages 1–2 and upper page 3 are reporter material and appellate preface; no neighbouring judgment.

[Open cited source rendition](#)

Actual judgment date is 6 October 1978, corroborated by official index entry 6734. The marked year in the original heading is ambiguous and can be read as 1968; the judicial chronology (AY 1970-71, High Court decision 1976, appeal of 1977) and official index establish 1978. The verified report is [1979] 1 SCR 1128.; Rs.83,891 appears in the headnote and SCR 1135 A, whereas SCR 1133 E and the operative calculation at SCR 1137 D use Rs.83,391. The note follows the operative amount and discloses the inconsistency.; The printed reasons refer to section 32A(2) at SCR 1136 E-F while discussing development rebate; that incidental citation is not silently corrected or treated as a separate holding.; The report's quoted section 80J text includes section 80HH cross-references; it is not certified here as an exact AY 1970-71 statutory consolidation. A full assessment-year amendment/Gazette chain has not been verified. The primary-supported section 84/80J transition and actual earlier deficiencies are retained without inventing further statutory history.; The disputed year is 1970-71; 1967-68 through 1969-70 are prior history. Nil refers to this cold-storage undertaking's profit included in total income, not a finding that the company's entire taxable income was nil.

The appealed assessment is AY 1970-71. The other years are the prior cold-storage loss/allowance and section 80J deficiency history. The report expressly discusses replacement of section 84 from 1 April 1968 and section 80J(3)'s text covering deficiencies for assessments commencing on or after 1 April 1967.

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. No comprehensive subsequent-judgment treatment check. Bounded statutory comparison: the CBDT 2015 section 80J entry records omission by Finance (No.2) Act, 1996 retrospectively from 1 April 1989. Separately, the CBDT 1997 consolidation's section 80-I(6) contains an express sole-source computation fiction, illustrating why Patiala's no-implied-fiction reasoning for historical section 80J cannot be transplanted to every later incentive. These are separately identified statutory comparisons, not a finding of judicial overruling, full amendment-chain verification, present-law certification or 2025 mapping.

IDENTIFIED SOURCE LINKS

[reported judgment - PDF pages: 10](#)

SHA-256: 253a812eed44288100b58e5b0f872c0fdbae27c7f96285696173173878e78bdc

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

SHA-256: 70ec8d62e1d6e7cd26cab7295fc4310b9aa55c61fcd8bb5f3ff5e97f7b29030

[official hosted statutory consolidation](#)

SHA-256: 97f3af756cd09621dfdda2da94bd60511ad02736cef191d67ad5a95857047516

[official hosted consolidation with editorial history](#)

SHA-256: 9219163eb8b004e0b8f91f00e6208128f119b9688416ddbeb9c932931e3c5344

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.

PROFESSIONAL DISCLAIMER

General research information only; not legal or tax advice, a certified judgment or a substitute for the full order. Applicability depends on facts, assessment year, statutory version and jurisdiction. Subsequent treatment is unverified unless identified sources are expressly stated. Downloading does not create a professional engagement. Obtain case-specific advice before reliance.