

Commissioner of Income Tax (Central), Madras v. Canara Workshops (P) Ltd., Kodialball, Mangalore

Civil Appeal Nos. 1685 and 1686 (NT) of 1974

[1986] 3 SCR 166 | 1986-07-15

For the historical section 80E industrial deduction, must profits from automobile ancillaries be reduced by losses from the assessee's separate alloy-steel industry, even though both are priority industries?

80E(1) and (2), as applicable to AYs 1966-67 and 1967-68: historical 8% deduction for specified industrial profits | Fifth Schedule, entries 1 and 20: separate alloy-steel and automobile-ancillary priority industries | 41(2) (balancing charge in the discussion of Cambay Electric) | 80M (Distributors (Baroda) distinguished) | 80-I (historical successor provision discussed in Belliss and Morcom; not the operative provision in these appeals)

Two-judge bench | R.S. Pathak, J. | Sabyasachi Mukharji, J.

Assessment years: 1966-67, 1967-68

Historical industrial section 80E; preserve computation and source limits

This ruling concerns the 8% industrial-profits version of section 80E for AYs 1966-67 and 1967-68. It prevents separate-industry losses from reducing the qualifying industry's deduction base, while distinguishing same-industry items; it does not guarantee relief under later provisions or remove later gross-total-income ceilings. The report's (P) Ltd./public-company description and stated deduction arithmetic are inconsistent and are not silently corrected. Comprehensive later treatment, current law and 2025 mapping remain unverified.

01 FACTS OF THE CASE

The assessee manufactured automobile spares and began manufacturing alloy steel in the previous year relevant to AY 1966-67. Both activities were separately listed priority industries under the Fifth Schedule. The alloy-steel industry incurred losses in AYs 1966-67 and 1967-68. For AY 1966-67 the judgment records alloy-steel loss of Rs.15,30,688 and automobile-ancillary profits of Rs.17,57,129. It reports section 80E relief claimed of Rs.1,40,574 for that year and Rs.1,52,483 for AY 1967-68. These are the report's figures, not a fresh recomputation (physical pages 3-5).

The Income-tax Officer reduced the automobile-industry profits by the alloy-steel losses for deduction purposes and, after other adjustments, allowed Rs.24,896 and Rs.1,20,986 for the two years. The Appellate Assistant Commissioner dismissed the assessee's appeals. The Tribunal directed recomputation without subtracting the separate alloy-steel losses from the automobile-industry profits. On the Revenue's references, the Karnataka High Court answered the question affirmatively for the assessee on 21 February 1974 in Tax Reference Nos.67 and 68 of 1972. These two civil appeals challenged that answer; they were not SLP-disposal orders.

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

02 DISCUSSION BY THE HON'BLE COURT

The Court reproduced section 80E as it stood for the relevant years. It applied to qualifying companies whose total income, computed under the other provisions of the Act, included profits attributable to the listed businesses, and allowed an 8% deduction from those profits. The inquiry had three stages: the company must satisfy subsection (2); its income computed without section 80E must include eligible industrial profits; and the deduction is then measured by the profits attributable to that industry. The company's qualification was undisputed (physical pages 5–6/SCR 170–171).

The statutory purpose was both to encourage the creation of priority industries and to reward their efficient operation. The alloy-steel and automobile-ancillary activities were separate industries under entries 1 and 20 of the Fifth Schedule. Measuring the automobile industry's deduction by the net result of all industries would deny or reduce its earned incentive because another industry lost money. Common ownership, and even priority status of the loss-making industry, did not justify that reduction. For this section 80E calculation, each industry had to be considered on its own working (physical pages 6–7).

The Court rejected the Madras High Court's contrary approach in *English Electric*. *Cambay Electric* concerned computation items of the very industry claiming relief: the balancing charge under section 41(2), unabsorbed depreciation and development rebate related to the same electricity business. That was distinct from setting off losses of a different industry. *Distributors (Baroda)*, which concerned the dividend-income measure under section 80M, was not relevant to this question. *Belliss and Morcom*, on the historical section 80-I successor, and *Balanoor Tea and Rubber* supported the distinction between same-industry items and other-industry losses (physical pages 7–9). The ruling did not dispense with computing total income under the rest of the Act or establish a deduction irrespective of every later statutory ceiling.

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

03 JUDICIAL DECISION

The Supreme Court affirmed the High Court's affirmative answer to the referred question. Both Revenue appeals were dismissed with costs. There was no new remand or separate assessment computation by the Supreme Court; the Tribunal's direction to recompute the relief was part of the procedural history affirmed through the reference answer (physical page 9/SCR 174 C).

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

04 OUTCOME / IN WHOSE FAVOUR

In whose favour: Assessee

Civil Appeal Nos.1685 and 1686 (NT) of 1974 dismissed with costs; High Court's answer affirmed

Final reasoned decision on the measure of the historical section 80E industrial deduction for AYs 1966-67 and 1967-68

Separate-industry losses do not reduce the specified industry's profits for this historical section 80E deduction. Same-industry computation items remain distinct. No automatic holding under later Chapter VI-A provisions, current section numbering or the 2025 Act.

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

05 AKHB REVIEW POINT

Start with the exact statutory version and the unit whose profits generate the incentive. A rule preventing one industry's losses from reducing another industry's deduction base is not, by itself, a rule excluding those losses from all tax computations. Keep same-industry depreciation and carried-forward items distinct from losses of a separate industry. Preserve the Court's total-income computation stage and the undisputed company-eligibility condition.

A bounded later comparison with Synco Industries, decided on 13 March 2008, shows why the distinction matters: under the later provisions considered there, section 80-I(6) governed the quantum of eligible-unit deduction, while sections 80A(2) and 80B(5) imposed a gross-total-income ceiling after loss adjustment; nil gross total income prevented Chapter VI-A relief (physical pages 14–17, paragraphs 11–14). Synco is used here as a separate statutory-framework comparison, not as a verified decision overruling, distinguishing or expressly citing Canara. Its full treatment history and the present legislation have not been verified.

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

PROPOSITION-SPECIFIC SOURCE PARAGRAPHS AND PDF PAGES

1.

Topic: Identity, date, both civil appeals and High Court origin

Source url: [Open cited source](#)

Pdf pages: 1; 3

Paragraphs: SCR 166 A–C; 168 D–F

Source role: reported metadata and judicial text

2.

Topic: Assessment years, business results and assessment history

Source url: [Open cited source](#)

Pdf pages: 3; 4; 5

Paragraphs: SCR 168 F–170 C

Source role: judicial text

3.

Topic: Actual historical section 80E(1), company qualification and calculation sequence

Source url: [Open cited source](#)

Pdf pages: 5; 6

Paragraphs: SCR 170 C–171 H

Source role: judicial text

4.

Topic: Separate priority industries and industry-specific deduction holding

Source url: [Open cited source](#)

Pdf pages: 6; 7

Paragraphs: SCR 171 D–172 G

Source role: judicial text

5.

Topic: Same-industry items distinguished; English Electric rejected and other precedents considered

Source url: [Open cited source](#)

Pdf pages: 7; 8; 9

Paragraphs: SCR 172 G–174 B

Source role: judicial text

6.

Topic: Both appeals dismissed with costs; reference answer affirmed

Source url: [Open cited source](#)

Pdf pages: 9

Paragraphs: SCR 174 C

Source role: judicial text

7.

Topic: Bounded later Chapter VI-A comparison: quantum versus gross-total-income ceiling

Source url: [Open cited source](#)

Pdf pages: 14; 15; 16; 17

Paragraphs: Paragraphs 11–14; SCR 932–935

Source role: bounded later judicial comparison

JUDICIAL AUTHORSHIP AND SEPARATE OPINIONS

R.S. Pathak, J.

ACT IDENTIFIED IN THE REVIEWED SOURCE

Income-tax Act, 1961, historical section 80E industrial-profits deduction

SOURCE & VERIFICATION

Hon'ble Supreme Court source PDF (reported judgment)

Identified source rendition: 9 PDF pages; SHA-256

2e083659e2d7006b0b5c0869287b533b7a8b951f5d28940146f04ba9b5f54335. Original bytes preserved.

Unnumbered judicial body starts physical page 3/SCR 168 F and ends physical page 9/SCR 174 C. Pages 1–3 before that contain editorial headnotes and appellate metadata. No neighbouring judgment.

Open cited source rendition

The section 80E here is expressly the historical provision for 8% deduction of specified industrial profits, not a claim based only on a reused section number.; The caption says Canara Workshops (P) Ltd. but the judicial narrative at SCR 168 H calls the assessee a public limited company. The company was accepted as qualifying under section 80E; this descriptive inconsistency is not silently resolved.; The judgment reports the AY 1966-67 deduction claim as Rs.1,40,574 on profits of Rs.17,57,129; the stated claim is not exactly 8% of that figure. The note preserves the reported claim and does not infer a corrected tax computation.; Catalogued case number omits the second appeal. The formal appellate line at physical page 3 identifies both 1685 and 1686 (NT) of 1974.; The OCR repeatedly renders 80E, 8%, and digit 8 as SOE, S%, or S. Page images control the section, rate, years and rupee figures.; The historical section 80-I discussion must not be treated as an automatic ruling on later section 80-I, 80-IA, 80-IB or other incentive provisions; their text, computation rules and ceilings require separate analysis.

Both years are expressly identified in the judicial text. The report gives the two appeal numbers together but does not expressly pair each number with a particular assessment year; no pairing is inferred.

STATUTORY SCOPE

No automatic mapping to the Income-tax Act, 2025 or certification of current law. The section 80E construed here is the historical industrial-profits provision applicable to AYs 1966-67 and 1967-68.

LATER TREATMENT

Source checked 2026-10-04. not_verified. Actual bounded later primary check: Synco Industries Ltd. v. Assessing Officer, Income Tax, Mumbai & Anr., 13 March 2008, [2008] 4 SCR 919, physical page 1 for identity and physical pages 13–17/SCR 931–935 for surrounding discussion and paragraphs 11–14. This is a later statutory-framework comparison, not a verified direct citing treatment of Canara. No comprehensive citator, amendment chain, current-law or 2025 mapping check was performed.

IDENTIFIED SOURCE LINKS

reported judgment - PDF pages: 9

SHA-256: 2e083659e2d7006b0b5c0869287b533b7a8b951f5d28940146f04ba9b5f54335

later judgment bounded comparison - PDF pages: 17

SHA-256: c5a6915be05f9c05f63a2ff958b8e4a5ea63214ff4e0bf2b539b0ca480962540

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