

Broach District Co-operative Cotton Sales Ginning and Pressing Society Ltd. v. Commissioner of Income Tax, Ahmedabad

Civil Appeals Nos. 513–515 (NT) of 1975

[1989] 2 SCR 720 | 1989-04-26

Whether power-assisted ginning and pressing of members' cotton as an integral step in its marketing by the society qualified for the former section 81(i)(c) exemption, or fell outside it under the processing clause and proviso.

81(i)(c) (former provision, historical marketing exemption) | 81(i)(e) (former provision, processing without power) | Proviso to former section 81(i)

Two-judge bench | R.S. Pathak, C.J. | M.H. Kania, J.

Assessment years: 1961-62, 1962-63, 1963-64

Historical section 81 holding; member-only integrated marketing and unexamined new argument

This former-section 81(i)(c) ruling covers the integrated marketing of members' cotton on the found facts. It does not grant blanket current section 80P eligibility, exempt nonmember business or decide every power-assisted processing case. Revenue's late claim that baling changed the produce's character was not entertained, not rejected on the merits. The source reports AYs 1961-62 to 1963-64 under one former-section 81 question without explaining the first-year transition. Comprehensive later treatment and current-law/2025 mapping remain unverified.

01 FACTS OF THE CASE

The assessee cooperative owned a ginning and pressing factory. Although its objects included work for members and other customers, the receipts in dispute came from members only. It received their raw cotton, ginned and pressed it with power, and marketed the resulting cotton on their behalf to outside purchasers. Members did not take it back after processing. They paid ginning and pressing charges, and the society separately charged sale commission (physical pages 3–5/SCR 722–724).

For the three reported AYs 1961-62 to 1963-64, the society claimed exemption of the ginning and pressing receipts under section 81(i)(c). The ITO rejected the claim because power was used, and the AAC affirmed. The Tribunal held the operations integral to marketing. The Gujarat High Court answered Revenue's reference against the society, reasoning that power-assisted processing remained outside the exemption even if incidental to marketing. The society appealed by certificate in Civil Appeals Nos. 513–515 (NT) of 1975 (physical pages 2–4/SCR 721–723).

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

02 DISCUSSION BY THE HON'BLE COURT

The referred question expressly concerned section 81(i)(c) as it stood before 1 April 1968. The quoted section separately covered marketing agricultural produce of members in clause (c), and processing their produce without power in clause (e). Its proviso addressed profits from activities other than the listed ones, beyond the stated Rs 15,000 threshold. The Court did not treat the power restriction in clause (e) as destroying a claim independently falling within the marketing activity in clause (c) (physical pages 3–4/SCR 722–723).

On the actual member-only chain of operations, ginning and pressing were part of the integrated marketing process. The cotton was delivered for marketing, not returned to members after an independent processing service, and was sold by the society outside the membership. The Court construed marketing broadly enough to include making the produce fit for sale, referring to the reasoning in Ryots Agricultural Produce and Karjan. It treated the exemption's cooperative-development object as supporting a liberal construction of this historical provision (physical pages 4–5/SCR 723–724).

The proviso excluded activities separate and distinct from the enumerated activities; it did not exclude an activity incidental or ancillary to an enumerated one on these facts. Revenue also attempted to argue that processing into bales changed the cotton's character so the society no longer marketed members' agricultural produce. The Court refused that new point because it had not been raised earlier. It did not decide the transformation proposition on its substantive merits (physical page 5/SCR 724).

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

03 JUDICIAL DECISION

The Court allowed the society's appeals and answered the referred question in the affirmative, for the assessee and against Revenue. The profits and gains of the entire integrated business of ginning and pressing members' cotton and marketing it were exempt under former section 81(i)(c) on the found facts. The assessee was entitled to its costs (physical page 5/SCR 724).

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

04 OUTCOME / IN WHOSE FAVOUR

In whose favour: Assessee cooperative society

Appeals allowed; reference answered in the affirmative for the assessee; assessee entitled to costs

Reasoned merits interpretation of former section 81(i)(c) and its proviso

Member-only integrated marketing operations; no general exemption for unrelated power-assisted processing, nonmember business or every cooperative receipt. The new transformation-of-produce argument was not entertained.

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

05 AKHB REVIEW POINT

Identify the actual transaction chain and applicable historical clause. The decisive facts were that members supplied the cotton for sale, processing made it marketable, no processed cotton was returned to them, and the society marketed only that member cotton to outside buyers. The broad objects authorising other work did not establish that nonmember receipts were part of the case. Separate charges did not, in these circumstances, sever the integrated marketing activity.

Do not convert this former-section 81 decision into blanket section 80P eligibility or erase the limits of the later statute. The report states AYs 1961-62 to 1963-64 while framing and deciding the common question under the 1961 Act's former section 81; that presentation is retained without inventing a year-specific transitional explanation. The Court's refusal to hear a new argument about the cotton's altered character is a preservation ruling, not a substantive rejection of that argument. Later statutory wording and judicial treatment, including present-law and 2025 mapping, require separate verification.

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

PROPOSITION-SPECIFIC SOURCE PARAGRAPHS AND PDF PAGES

1.

Topic: Identity, date, bench and full appeal group

Source url: [Open cited source](#)

Pdf pages: 1; 2

Paragraphs: Unnumbered judicial text; physical PDF pages one-based

Source role: reported metadata

2.

Topic: Exact referred question, historical statutory era and stated AYs

Source url: [Open cited source](#)

Pdf pages: 3

Paragraphs: Unnumbered judicial text; physical PDF pages one-based

Source role: judicial text

3.

Topic: Quoted former clauses, proviso and actual integrated operation

Source url: [Open cited source](#)

Pdf pages: 3; 4; 5

Paragraphs: Unnumbered judicial text; physical PDF pages one-based

Source role: judicial text

4.

Topic: Member-only marketing, statutory construction, reserved new contention, outcome and costs

Source url: [Open cited source](#)

Pdf pages: 5

Paragraphs: Unnumbered judicial text; physical PDF pages one-based

Source role: judicial text

JUDICIAL AUTHORSHIP AND SEPARATE OPINIONS

R.S. Pathak, C.J.

ACT IDENTIFIED IN THE REVIEWED SOURCE

Income-tax Act, 1961

SOURCE & VERIFICATION

Hon'ble Supreme Court source PDF (reported judgment)

Identified source rendition: 5 PDF pages; SHA-256

7b986f25bda1a467de496d3cb84c419598142616a9d4b83f6ea389e6eae9e8c7. Original bytes preserved.

Editorial headnotes and reported proceedings occupy physical pages 1–2/SCR 720–721. Complete Pathak C.J. judgment starts near the bottom of physical page 2/SCR 721 and ends on page 5/SCR 724. Statute quotation and lower-authority findings distinguished. No neighbouring judgment.

Open cited source rendition

The judicial text on physical page 3 expressly states AYs 1961-62 to 1963-64 and the common former-section 81 question. The inclusion of AY 1961-62 is retained as reported; the source does not explain the transition or assign a separate statute to each appeal. No corrected AY is asserted.; The referred question describes the provision as standing before its amendment on 1 April 1968. The note identifies the historical section rather than relabelling the holding as section 80P.; The objects permitted work for other customers, but the Tribunal and Court's actual findings concern member-only receipts and cotton. A power in the objects is not a finding of nonmember business in these appeals.; Revenue's late assertion that cotton's character changed was procedurally excluded on physical page 5. The substantive correctness of that assertion was not decided.; The catalogue gives only Civil Appeal No. 513 of 1975; the primary image gives the full group, Civil Appeals Nos. 513–515 (NT) of 1975. The source PDF and immutable metadata are unchanged.

STATUTORY SCOPE

No automatic mapping to the Income-tax Act, 2025 or present-law certification. Apply the statutory text for the relevant year.

LATER TREATMENT

Source checked 2026-10-04. No comprehensive later-treatment search is certified. Any actually checked later judgment or statute is expressly identified in this note.

IDENTIFIED SOURCE LINKS

reported judgment - PDF pages: 5

SHA-256: 7b986f25bda1a467de496d3cb84c419598142616a9d4b83f6ea389e6eae9e8c7

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