

Commissioner of Income Tax, Amritsar v. Straw Board Manufacturing Co. Ltd.

Civil Appeal Nos. 519–521 of 1975

[1989] 2 SCR 772 | 1989-04-28

Whether strawboard fell within the historical paper-and-pulp description governing the Finance Act 1965 income-tax rebate for AY 1965-66 and the relevant Fifth Schedule/1961 Act industrial benefits for AYs 1966-67 and 1967-68.

33, historical development rebate | 80E, historical priority-industry deduction | Fifth Schedule, item 16, historical paper and pulp entry

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

Assessment years: 1965-66, 1966-67, 1967-68

Year-specific paper-and-pulp classification; historical concessions only

The appealed years are 1965-66, 1966-67 and 1967-68. The first concerns paragraph F of Part I read with Part III of the Finance Act 1965 First Schedule; the later references concern item 16 of the historical Fifth Schedule and industrial section 80E, with section 33 development rebate in the claims. AY 1964-65 is comparison material only. No full-income exemption, modern section 80E industrial benefit or present rebate is declared. Comprehensive later treatment and current-law/2025 mapping remain unverified.

01 FACTS OF THE CASE

The assessee manufactured strawboard. Its appeals concerned AYs 1965-66, 1966-67 and 1967-68, with calendar previous years 1964, 1965 and 1966 respectively. The claims were not a single uniform deduction. For AY 1965-66, against a basic income-tax rate of 80 per cent, it claimed rebates of 35 per cent on the first Rs.10 lakh and 26 per cent on the balance; the officer allowed only 30 and 20 per cent. The referred question for that year specifically concerned paragraph F of Part I read with Part III of the First Schedule to the Finance Act 1965 (physical pages 2-3).

For AY 1966-67 it claimed a 25 per cent development rebate under section 33 on machinery installed after 1 April 1965 worth Rs.34,287; the officer allowed 20 per cent. It also claimed the historical section 80E benefit on strawboard-manufacturing income of Rs.8,17,485. For AY 1967-68 it claimed that benefit on manufacturing income of Rs.7,50,316 within total assessed income of Rs.11,00,885. These manufacturing-income figures identify the claim's income base as recited in the judgment; they are not amounts of a full-income exemption or Supreme Court-calculated deductions (physical page 3).

The officer rejected priority-industry status because strawboard was said not to fall within paper and pulp; the first appeals failed. The Tribunal accepted the classification and the High Court answered the references for the assessee. The Revenue appealed. The question for AYs 1966-67 and 1967-68 expressly referred to item 16 of the Fifth Schedule and section 80E. The report identifies the relevant Fifth Schedule as substituted by the Finance Act 1965 and section 80E as inserted by the Finance Act 1966 effective 1 April 1966 (physical pages 3-4).

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

02 DISCUSSION BY THE HON'BLE COURT

The Court defined the sole issue as whether strawboard was within the paper-and-pulp description in the schedules relevant to the assessment years. It treated those descriptions as identifying industries for tax concessions intended to encourage industrial activity. In that setting, paper and pulp referred comprehensively to the industry, and the encouragement objective supported a liberal reading of the relevant language (physical page 4).

That construction was tied to evidence and statutory context. The undertaking's licence dated 31 May 1954 recorded registration under section 10 of the Industries (Development and Regulation) Act 1951 and identified a scheduled industry including newsprint, paperboard and strawboard. The High Court had also noted that the strawboard manufacturing process was identical to that of paper. The Court regarded strawboard production as part of the paper-and-pulp industry rather than excluding it merely because its product was not ordinary writing paper (physical page 4).

The Revenue drew attention to the earlier entry relevant to AY 1964-65, which referred to paper and pulp including paper products. The Court rejected the attempt to derive a restrictive result from that wording and regarded the express references to newsprint, paperboard and strawboard as clarifying inclusion in paper. AY 1964-65 was mentioned in this interpretive argument; it was not a fourth assessment year disposed of in these appeals (physical pages 4–5).

The conclusion concerned eligibility under the particular historical industry description. It did not declare that every tax exemption must always receive the same construction, erase express statutory conditions or decide classifications under unrelated tariff or incentive provisions. Nor did the industrial licence independently confer a tax exemption: it was part of the contextual support for interpreting the actual tax schedules (physical pages 4–5).

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

03 JUDICIAL DECISION

The Court affirmed the High Court's view that strawboard was within the relevant paper-and-pulp industry description and dismissed all three Revenue appeals with costs. The assessee's favourable reference answers and resulting entitlement to the historical benefits at issue were left intact; no fresh numerical tax computation was made (physical page 5).

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

04 OUTCOME / IN WHOSE FAVOUR

In whose favour: Assessee

Revenue's three appeals dismissed with costs; favourable High Court reference answers sustained

Final reasoned classification ruling for three specified assessment years

AY 1965-66 concerns the Finance Act 1965 schedule; AYs 1966-67 and 1967-68 concern the historical Fifth Schedule/1961 Act industrial regime. No AY 1964-65 disposition, no full-income exemption and no present industrial tax entitlement is declared.

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

05 AKHB REVIEW POINT

Keep the annual charging/concession schedule separate from the enduring Act. The first reference is expressly about the Finance Act 1965 First Schedule, paragraph F of Part I read with Part III. The later two concern the historical paper-and-pulp entry at item 16 of the Fifth Schedule and section 80E, with section 33 development rebate also forming part of the narrated claims. A modern note that lists only section 80E would obscure both the year-specific legal route and the different reliefs.

The useful interpretive point is bounded: an industrial incentive's language may identify an industry comprehensively, and technical process and the relevant industrial framework can help resolve whether a product belongs within it. Preserve that link to text, purpose and evidence. Do not use the general reference to liberal construction to bypass eligibility conditions or resolve every later exemption dispute.

These are historical rates and concessions. The later reuse of section 80E, including education-loan provisions, is visible in the 2011 compilation (physical pages 444–445 and amendment-history footnote 37); the shared section number does not preserve this industrial deduction. This review does not certify a modern rebate, development allowance or industrial-deduction claim, does not reconstruct every intervening statutory amendment, and does not undertake a comprehensive later-treatment or 2025 mapping exercise.

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

PROPOSITION-SPECIFIC SOURCE PARAGRAPHS AND PDF PAGES

1.

Topic: Identity, appeal range and judicial opening

Source url: [Open cited source](#)

Pdf pages: 1; 2

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

Source role: reported metadata and judicial text

2.

Topic: AY-specific claims, rates and historical provision versions

Source url: [Open cited source](#)

Pdf pages: 2; 3

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

Source role: judicial text

3.

Topic: Exact referred questions: Finance Act 1965 and Fifth Schedule item 16

Source url: [Open cited source](#)

Pdf pages: 3; 4

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

Source role: judicial text

4.

Topic: Industry-oriented construction, licence and manufacturing process

Source url: [Open cited source](#)

Pdf pages: 4; 5

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

Source role: judicial text

5.

Topic: Appeals dismissed with costs

Source url: [Open cited source](#)

Pdf pages: 5

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

Source role: judicial text

6.

Topic: Later reuse of section 80E; no carryover of industrial concession

Source url: [Open cited source](#)

Pdf pages: 444; 445

Paragraphs: Section 80E and amendment-history footnote 37

Source role: historical statutory context

JUDICIAL AUTHORSHIP AND SEPARATE OPINIONS

R.S. Pathak, C.J.

ACT IDENTIFIED IN THE REVIEWED SOURCE

Income-tax Act, 1961

RELATED ENACTMENTS AND THEIR ACTUAL STATUTORY SCOPE

Finance Act, 1965 (Act 10 of 1965), First Schedule, paragraph F of Part I read with Part III; Industries (Development and Regulation) Act, 1951, section 10 and scheduled paper-and-pulp industry, used as contextual material

SOURCE & VERIFICATION

Hon'ble Supreme Court source PDF (reported judgment)

Identified source rendition: 5 PDF pages; SHA-256

5d0b2f20a495ac03714d98b040cf439ce292d4fd77a836f372f66d7ecd54d26b. Original bytes preserved.

Complete unnumbered judicial text from the judicial opening on physical page 2 through page 5 / SCR 773–776; headnotes and appeal metadata before the judicial opening separated; no adjacent judgment.

Open cited source rendition

The complete judicial text begins partway through physical page 2; preceding headnotes are editorial.; The jurisdiction line gives Civil Appeal Nos. 519–521 of 1975, while ingestion metadata records only the first number.; AY 1965-66 is governed by the directly relevant Finance Act 1965 schedule described in the referred question, not simply by section 80E.; The relevant historical entry is paper and pulp, item 16 of the Fifth Schedule for the later years. The phrase paper and pulp including paper products concerns the AY 1964-65 comparison, not the verbatim entry governing every appealed year.; The judgment's manufacturing-income figures and phrase to the extent of identify the bases of the claims. They are not restated as a 100 per cent deduction, exemption or quantified Supreme Court award.; The source does not fully reproduce the Finance Act schedule or historical section 80E. Exact scope here follows the expressly stated references; no separate rate-table or complete statutory-condition verification is certified.; The later education-loan section 80E and historical industrial section 80E are different legislative texts. No present entitlement follows from the reused number.

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: 5d0b2f20a495ac03714d98b040cf439ce292d4fd77a836f372f66d7ecd54d26b

official hosted statutory compilation - PDF pages: 1251

SHA-256: 1ec6e4c38dc1d524d1d40b1fd35d13ac1336c8fc549cef2af1bf723a999c822b

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