

Jute Corporation of India Ltd. v. Commissioner of Income Tax and Anr.

Civil Appeal No. 1935 of 1981

[1990] Supp. 1 SCR 340 | 1990-09-04

Whether the first appellate authority could admit an additional deduction ground not raised before the Income-tax Officer.

251(1)(a)

3-judge bench | K.N. Singh, J. | T.K. Thommen, J. | Kuldip Singh, J.

Assessment years: 1974-75

Additional-ground jurisdiction with merits remand

The Court permitted consideration of the additional ground under the historical section 251 setting and remitted deduction merits to the Tribunal. It did not automatically allow every new claim or certify present appellate/remand procedure.

01 FACTS OF THE CASE

For assessment year 1974-75, the government corporation had not initially claimed a deduction for raw-jute purchase tax because it believed it was not liable. It was later assessed to that tax and disputed the demand, obtaining a stay. In its income-tax appeal, it claimed Rs.11,54,995 as the purchase-tax liability. The Appellate Assistant Commissioner admitted the additional ground, heard the Income-tax Officer and allowed it (SCR pages 342 and 348).

The Tribunal held that the first appellate authority lacked jurisdiction to grant relief on a ground not raised before the officer. It refused a reference under section 256(1), and the High Court refused the section 256(2) request. The corporation appealed to the Supreme Court (pages 342-343).

Source: [reported judgment](#) / [paragraphs SCR 342-343 and 348 A-D](#) / [PDF pages 3, 4, 9](#) / [judicial text](#)

02 DISCUSSION BY THE HON'BLE COURT

Section 251(1)(a), as then applicable, gave broad powers over the assessment. Applying the three-judge Kanpur Coal Syndicate decision, the Court held that the first appellate authority's powers were coextensive with those of the assessing authority, subject to statutory restrictions. The Act contained no prohibition against entertaining the additional deduction ground presented here (pages 343-347).

The Court distinguished the separate question of enhancing an assessment by discovering a new source of income. It also considered Gurjargravures: although the larger-bench principle controlled, the Court expressly found it unnecessary to overrule that decision because it rested on its particular absence of both a claim and supporting material. This was not a rule compelling acceptance of every new claim (pages 345-347).

Admission required a reasoned exercise of discretion. The authority had to be satisfied of good faith and good reasons for not raising the ground earlier, with the facts and circumstances assessed individually. The Court accepted the relevance of a non-wilful and reasonable explanation for later evidence. Here the purchase-tax facts were undisputed, the legal deduction principle had support in Kedarnath Jute, and the officer had been heard (pages 347-348).

Source: [reported judgment / paragraphs SCR 343-348 / PDF pages 4, 5, 6, 7, 8, 9 / judicial text](#)

03 JUDICIAL DECISION

The Court rejected the jurisdictional bar. To avoid a further reference cycle, it granted leave against the Tribunal order under Article 136, set that order aside and remitted the matter to the Tribunal to consider the merits of the deduction allowed by the first appellate authority. The Tribunal could order a further rehearing if necessary. The appeal was disposed of without costs (page 348).

Source: [reported judgment / paragraphs SCR 348 E-H / PDF pages 9 / judicial text](#)

04 OUTCOME / IN WHOSE FAVOUR

In whose favour: Assessee on admission of the additional ground and appellate jurisdiction

Tribunal order set aside; deduction merits remitted to the Tribunal; no costs

Section 251 jurisdiction decided; operative order requires further consideration of deduction merits

Do not replace the remand with an unconditional final allowance. This first-appellate authority ruling does not itself decide every fresh claim before an Assessing Officer, all new-source enhancement cases, or present remand powers.

Source: [reported judgment / paragraphs SCR 348 E-H / PDF pages 9 / judicial text](#)

05 AKHB REVIEW POINT

Identify the forum and the actual relief sought. Support admission with the factual record, a reasonable explanation for raising the ground at that stage and an opportunity for the other side to respond. Broad appellate power is not automatic acceptance of the substantive deduction.

The Court's favourable discussion of the purchase-tax liability must be read with its final remand to the Tribunal. Its account of section 251 powers and the accrual-based tax deduction belongs to the historical statutory setting and assessment year; it is not a current-procedure or payment-timing manual.

Source: [reported judgment / paragraphs SCR 345-348; editorial limits / PDF pages 6, 7, 8, 9 / judicial text](#)

ADDITIONAL STATUTORY CONTEXT, NOT SEPARATE HOLDINGS

256(1); 256(2); Indian Income-tax Act, 1922, section 31: historical comparison

JUDICIAL AUTHORSHIP AND SEPARATE OPINIONS

K.N. Singh, J.

ACT IDENTIFIED IN THE REVIEWED SOURCE

Income-tax Act, 1961

SOURCE & VERIFICATION

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

Identified source rendition: 9 PDF pages; SHA-256

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Unnumbered judgment begins on physical page 3 (SCR 342) after jurisdiction/appearances, ends on page 9 (SCR 348).

Preceding synopsis is editorial; no adjacent judgment.

[Open cited source rendition](#)

Reported citation and identity checked from source pages; machine-supplied retrospective neutral citation not independently verified.

The reported judgment is unnumbered; physical and SCR page locators are used rather than invented paragraph numbers.; The editorial headnote prints several internal page references as 155-158; the actual report pagination is 340-348 and the note uses the actual page numbers.; Gurjargravures is distinguished on its facts; the judgment expressly says formal overruling is unnecessary.; The judicial conclusion discusses entitlement but the operative order remits the deduction merits; both are preserved.

STATUTORY SCOPE

Historical provision and facts only; current procedure and Income-tax Act, 2025 mapping not certified.

LATER TREATMENT

Source checked 2026-10-04. No comprehensive subsequent-treatment or current-law audit. Earlier authorities are discussed only as quoted or considered in this judgment unless expressly stated otherwise.

IDENTIFIED SOURCE LINKS

[reported judgment - PDF pages: 9](#)

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