

Sabarkantha Zilla Kharid Vechan Sangh Ltd. v. Commissioner of Income Tax

Civil Appeal Nos. 793–795 (NT) of 1977 / Civil Appeal Nos. 1549–1551 (NT) of 1977

[1993] Supp. 1 SCR 484 | 1993-08-05

Whether the old section 81(i)(d) relief for a cooperative's member-supply business operated on gross profit without proportionate overheads or on net eligible income computed under the Act.

2(10) | 2(45) | 4 | 5 | 14 | 28 | 29 | 37, computation context | 66 | 81(i)(d), historical | 110 | 80P, subsequent provision discussed | 80AB, supporting comparison

Two-judge bench | B.P. Jeevan Reddy, J. | N. Venkatachala, J.

Assessment years: 1964-65, 1965-66, 1966-67

Historical section 81 relief on net income, through tax reduction

The cooperative's qualifying net profits, not gross profit before expenses, supplied the base for the old section 110 average-rate tax reduction. Non-member activity was not generally exempted. The later 80P discussion is supporting context; missing companion years and amounts are not reconstructed. Current statutory conditions and comprehensive later treatment remain unverified.

01 FACTS OF THE CASE

The cooperative bought agricultural implements, seeds, livestock and similar articles for supply to members as well as non-members. For AYs 1964-65 to 1966-67 it claimed relief under the then section 81(i)(d) on its member-business gross profits without the disputed proportionate overhead deduction. The ITO and AAC applied the net-income approach. The Tribunal allowed the first two appeals but rejected the third; both Revenue and assessee references reached the Gujarat High Court, which decided all against the cooperative (physical pages 3–5).

The Supreme Court's common judgment first addressed Civil Appeals 793–795/1977. A separate final paragraph then disposed of Nos. 1549–1551/1977 by applying the same result, without giving their separate assessment years or detailed facts. The referred question's amount is blank in this source; the figures appearing in the Anakapalli discussion are those of a cited case, not this cooperative's claim (physical pages 4, 8 and 12).

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

02 DISCUSSION BY THE HON'BLE COURT

The Court read the historical exemption within the Act's computation scheme. Business income is computed after applicable expenses and adjustments, and section 66 required Chapter VII exempt income to be included in total income. Section 110 then provided the corresponding reduction from tax. Consequently, the eligible profits and gains meant net income computed under the Act, not an unreduced gross-profit figure (physical pages 5–8).

The Court found support in Anakapalli's treatment of the replacement section 80P and the Constitution Bench's net-dividend approach in Distributors (Baroda). Those comparisons reinforced the interpretation; they did not transform this historical section 81 claim into an adjudication of every subsequent section 80P category. The judgment itself recorded replacement of section 81 by section 80P from 1 April 1968 (physical pages 8–11).

The quantum of old section 110 relief was a tax reduction at the average rate on the eligible net amount. The Court used section 2(10)'s average-rate definition: income-tax calculated on total income divided by that total income. It did not award an exemption for the cooperative's entire business, including non-member activity, or prescribe a new detailed cost-allocation formula (physical page 12).

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

03 JUDICIAL DECISION

Civil Appeals 793–795/1977 were dismissed, sustaining the High Court answers in full, without costs. The separate Civil Appeals 1549–1551/1977 were also dismissed without costs. Relief remained based on eligible net business income and the historical average-rate mechanism (physical page 12).

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

04 OUTCOME / IN WHOSE FAVOUR

In whose favour: Revenue

Both three-appeal groups dismissed; no costs in either group

Final interpretation of historical section 81(i)(d), read with sections 66 and 110

No tax on all cooperative activity declared, no exemption for non-member profits, no quantified assessment or prescribed allocation ratio, and no blanket contemporary section 80P determination.

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

05 AKHB REVIEW POINT

Keep the eligible activity, its net income and the tax-relief mechanism separate. Under the historical scheme, exempt income still entered total income, and the relief was then taken from tax at the average rate. That is different from simply removing gross receipts or gross trading profit before expenses. Maintain an evidential allocation of common overheads to the qualifying and nonqualifying business, rather than treating cooperative status as sufficient to remove all costs or all tax.

The two appeal groups must remain distinct: only one has a stated year-by-year factual narrative. The subsequent section 80P and dividend cases are supporting comparisons, not a licence to replace the operative section 81 text or transfer old rate mechanics to another regime. Comprehensive later treatment, current statutory conditions and 2025 Act mapping remain unverified.

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

PROPOSITION-SPECIFIC SOURCE PARAGRAPHS AND PDF PAGES

1.

Topic: Identity, lead appeals, stated years and reference history

Source url: [Open cited source](#)

Pdf pages: 1; 3; 4; 5

Paragraphs: Unnumbered judicial text

Source role: reported metadata and judicial text

Reported pinpoint: SCR 484 A–B (identity and date); SCR 486 B–488 C (lead appeals, years and reference history)

2.

Topic: Operative historical 81 text and net-income computation

Source url: [Open cited source](#)

Pdf pages: 5; 6; 7; 8

Paragraphs: Unnumbered judicial text

Source role: judicial text

Reported pinpoint: SCR 488 D–491 B

3.

Topic: Supporting 80P and dividend comparisons

Source url: [Open cited source](#)

Pdf pages: 8; 9; 10; 11

Paragraphs: Unnumbered judicial text

Source role: judicial text

Reported pinpoint: SCR 491 C–494 H

4.

Topic: Average rate and both appeal-group dispositions

Source url: [Open cited source](#)

PDF pages: 12

Paragraphs: Unnumbered judicial text

Source role: judicial text

Reported pinpoint: SCR 495 A-F

JUDICIAL AUTHORSHIP AND SEPARATE OPINIONS

N. Venkatachala, J.

ACT IDENTIFIED IN THE REVIEWED SOURCE

Income-tax Act, 1961

SOURCE & VERIFICATION

Hon'ble Supreme Court source PDF (reported judgment)

Identified source rendition: 12 PDF pages; SHA-256

314efe4492b29dc09cf79109a9350eebca5f315d2b186e99b2962be01da5912c. Original bytes preserved.

Complete unnumbered judicial text physical pages 3–12 / SCR 486–495, beginning at SCR 486 D and ending at SCR 495 F, including the separate closing disposition for Nos. 1549–1551/1977. Editorial material and quotations from Anakapalli and Distributors (Baroda) distinguished; no adjoining judgment.

Open cited source rendition

The cover abbreviates the name with V.; the judicial body gives Sabarkantha Zilla Kharid Vechan Sangh Ltd. The fuller judicial identity is used.; The provenance line mentions a 1977 High Court judgment in ITR 173/1975, while the lead judicial narrative identifies ITRs 100/1974, 24/1974 and 139/1974. The source's grouping is preserved without an invented docket reconciliation.; AYs 1964–65 to 1966–67 are stated for the lead 793–795 group only. The 1549–1551 group supplies no separate years.; The referred question on page 4 leaves the rupee figure blank. Rs 3,72,038 and Rs 73,720 on page 8 are Anakapalli figures and are not assigned to this assessee.; The Distributors quotation on page 11 has an isolated 80A label within an 80M discussion. It is not treated as a distinct holding on a newly identified provision.; The general statutory survey includes wording from later versions. The note does not assert that every reproduced section reference was the exact verbatim text in force in each 1964–1967 year.; The operative old 81/66/110 mechanism must be separated from subsequent 80P discussion and any later statutory restrictions.; The machine-ingested case-number field incorrectly labels the lead matter an Arbitration Petition. The inspected source identifies Civil Appeals 793–795 (NT) of 1977 and the separate Civil Appeals 1549–1551 (NT) of 1977; those judicial identifiers control.

These three years are expressly stated for Nos. 793–795/1977. The separate 1549–1551/1977 disposition gives no independent year list.

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: 12

SHA-256: 314efe4492b29dc09cf79109a9350eebca5f315d2b186e99b2962be01da5912c

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