

H.H. Sir Rama Varma (Dead) by LRs. v. Commissioner of Income-Tax, Kerala

Civil Appeal No. 1489 (NT) of 1979

[1993] Supp. 3 SCR 512 | 1993-11-02

Whether the former section 80T deduction applied to current long-term gains before, or only after, setting off brought-forward capital losses in computing gross total income.

14 | 45 | 48, historical computation context | 74 | 80A | 80B(5) | 80T, historical | 80AB, declaratory reasoning

Two-judge bench | B.P. Jeevan Reddy, J. | S.P. Bharucha, J.

Assessment years: 1970-71

Historical deduction sequence and verified omission-date discrepancy

Section 80T relief for AY 1970-71 followed capital-loss set-off. The source's printed 1 April 1981 omission date conflicts with the checked statutory history showing 1 April 1988; it must not be repeated as verified legislation. The Court left the later section 48 regime undecided. No current capital-gains rule or comprehensive later-treatment clearance is certified.

01 FACTS OF THE CASE

For AY 1970-71 the assessee earned long-term capital gains and had a long-term capital loss carried forward from earlier assessment years. He claimed the section 80T deduction on the current gains before loss set-off. The ITO instead applied the deduction to the balance after set-off. The AAC allowed the assessee's appeal, but the Tribunal restored the ITO's treatment and the Kerala High Court answered the reference for Revenue (physical pages 2-3).

The report states no gain, loss, deduction or tax amount and no particular originating loss year. The dispute is the sequence and base of the deduction, not a numerical calculation or a contest over whether the brought-forward loss itself was valid (physical pages 2-3).

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

02 DISCUSSION BY THE HON'BLE COURT

The Court read sections 45, 48 and 74 with the Chapter VI-A structure. Gross total income must first be computed under the Act, including the prescribed capital-loss set-off. Section 80A then permits the relevant deductions from that gross total income, within its limits. Section 80T's opening condition requires long-term capital-gains income to be included in that computed amount; the deduction cannot be calculated on gains already eliminated by the loss adjustment (physical pages 4–7).

The words "such income" referred to the long-term capital-gains component, not the assessee's entire income from all sources. However, that component was the amount computed under the Act after the relevant set-off. The Court agreed with the High Courts taking that view and drew support from the Constitution Bench's net-income reasoning under section 80M in *Distributors (Baroda)*, rather than importing its dividend facts into this case (physical pages 7–9).

The Court described section 80AB as declaring the law in relation to the relevant Chapter VI-A deductions and as consistent with the construction of section 80T reached independently. It distinguished the historical enactment dates of sections 80AA and 80AB. It expressly declined to decide the amended section 48 regime discussed at the end of the judgment; that discussion also contains a verified source-date discrepancy requiring the caution below (physical pages 8–9).

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

03 JUDICIAL DECISION

The High Court judgment was upheld and the assessee's appeal dismissed, with no order as to costs. The historical section 80T deduction was to be calculated after the brought-forward capital-loss set-off (physical page 9).

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

04 OUTCOME / IN WHOSE FAVOUR

In whose favour: Revenue

Assessee appeal dismissed; no costs

Final historical deduction-base and computation-order ruling

No quantified deduction, decision on every loss restriction, or ruling on the later amended section 48 regime or present capital-gains rates.

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

05 AKHB REVIEW POINT

Show the computation in stages: current capital gains under the applicable rules, eligible brought-forward loss adjustment, the resulting amount included in gross total income, and only then the historical Chapter VI-A deduction. The reference to long-term capital gains does not mean the pre-set-off amount, and it does not mean the assessee's entire gross total income regardless of head.

Do not repeat the report's last historical-date statement as settled legislation. Physical page 9 visibly says section 80T was deleted from 1 April 1981, while the independently checked Department-hosted compilation records omission by the Finance Act, 1987, effective 1 April 1988 and lists intervening amendments. The printed 1981 statement is retained as a source discrepancy. The operative AY 1970-71 computation holding is distinct, and the Court's express refusal to decide the later section 48 position remains intact. No current-law equivalence or comprehensive subsequent-treatment certification is made.

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

PROPOSITION-SPECIFIC SOURCE PARAGRAPHS AND PDF PAGES

1.

Topic: Identity, AY, procedural history and issue

Source url: [Open cited source](#)

Pdf pages: 1; 2; 3

Paragraphs: Unnumbered judicial text

Source role: reported metadata and judicial text

Reported pinpoint: SCR 512 A–B (identity and date); SCR 513 D–H and 514 A–D (appeal, author, AY, procedural history and issue)

2.

Topic: Computation sequence and gross total income

Source url: [Open cited source](#)

Pdf pages: 4; 5; 6; 7

Paragraphs: Unnumbered judicial text

Source role: judicial text

Reported pinpoint: SCR 515–516 (quoted High Court reasoning); SCR 516 E–518 C (statutory computation and Court's adoption)

3.

Topic: Net-income analogy and section 80AB reasoning

Source url: [Open cited source](#)

Pdf pages: 7; 8; 9

Paragraphs: Unnumbered judicial text

Source role: judicial text

Reported pinpoint: SCR 518 D–520 D

4.

Topic: Reserved later regime, printed date and operative dismissal

Source url: [Open cited source](#)

Pdf pages: 9

Paragraphs: Unnumbered judicial text

Source role: judicial text

Reported pinpoint: SCR 520 E–F

5.

Topic: Verified different statutory omission date

Source url: [Open cited source](#)

Pdf pages: 551

Paragraphs: Section 80T entry and footnote 92

Source role: bounded historical statutory text

Reported pinpoint: Printed page 1.510, section 80T omission entry and footnote 92

JUDICIAL AUTHORSHIP AND SEPARATE OPINIONS

S.P. Bharucha, 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

7bcaad78bdb6a48670e1ddc1dc70646b595db750046efac7888427db8ae04138. Original bytes preserved.

Complete unnumbered judicial text physical pages 2–9 / SCR 513–520, beginning at SCR 513 F and ending at SCR 520 F; editorial synopsis and quotations from prior courts separated. No adjoining judgment.

[Open cited source rendition](#)

The source gives AY 1970-71 but no monetary figures or originating loss years; none are inferred.; The final judicial page twice uses 1 April 1981 in its deletion/after-regime discussion. The checked statutory compilation instead records section 80T omission effective 1 April 1988. The original is unchanged, and the discrepancy is not silently normalised.; The capital-loss carry-forward and deduction texts quoted are historical; their conditions are not presented as a current checklist.; The section 80M dividend discussion and amounts, if any, belong to cited authorities rather than a dividend claim in this appeal.; The report repeats the same ITR volume/page for different High Court names. No independently verified parallel-citation correction is supplied.

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: 9](#)

SHA-256: 7bcaad78bdb6a48670e1ddc1dc70646b595db750046efac7888427db8ae04138

[official department hosted historical statutory compilation - PDF pages: 1251](#)

SHA-256: 1ec6e4c38dc1d524d1d40b1fd35d13ac1336c8fc549cef2af1bf723a999c822b

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