

M/s Prakash Trading Co. v. Commissioner of Income Tax, Gujarat

Civil Appeal Nos. 452 and 453 of 1978

[1996] 2 SCR 849 | 1996-02-20

Whether de-oiled cakes exported or sold to exporters by the assessee qualified for the additional income-tax deductions in the Finance Acts of 1966 and 1967, having regard to the exclusions in clause (c) and their references to the IDR Act's First Schedule.

256(1), reference route

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

Assessment years: 1966-67, 1967-68

Historical Finance Act deduction; denial must accompany the reasoning

These two appeals concern AYs 1966-67 and 1967-68 and additional income-tax deductions under the annual Finance Acts, not a later export-relief section. Although the judgment says the provisions refer to articles, it dismisses both claims using the linked Schedule pattern. Sale values are not tax amounts, and no universal by-product classification rule is stated. Later treatment, current-law application and 2025 mapping remain unverified.

01 FACTS OF THE CASE

The assessee was a registered partnership manufacturing groundnut oil with a solvent-extraction plant at Veraval. It exported, or sold to exporters, de-oiled cakes valued at Rs 48,92,902 for AY 1966-67 and Rs 24,13,040 for AY 1967-68. It claimed the additional deductions under the corresponding provisions of the 1966 and 1967 Finance Acts. These figures are sale values, not deductions allowed or tax assessed (physical page 5 / SCR 853).

The ITO rejected the claims under clause (c). The AAC accepted the assessee's contention that the exclusion referred to articles rather than industries and that de-oiled cake was not expressly named. The Tribunal affirmed. On Revenue's section 256(1) reference, however, the Gujarat High Court answered both questions against the assessee on 31 August 1977 in I.T.R. No. 70 of 1975. The assessee brought Civil Appeal Nos. 452 and 453 of 1978 (physical pages 2-3 and 5 / SCR 850-851 and 853).

The questions specifically concerned the additional deductions for the two years, read with item 28 of the IDR Act's First Schedule. The source treats the relevant provisions in the two Finance Acts as identical and therefore sets out the 1966 provisions to explain both appeals (physical pages 3-4 / SCR 851-852).

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

02 DISCUSSION BY THE HON'BLE COURT

The Court read the additional incentive and the exception as parts of the same statutory scheme. Subclauses (ii) and (iii) referred to articles manufactured in an industry specified in the IDR Schedule and either exported by the manufacturer or sold to a person who actually exported them. The quoted scheme calculated the deduction from income-tax at the average tax rate on an amount equal to two per cent of the relevant sale proceeds; it was not a direct deduction of two per cent of sale proceeds from tax. Clause (c) excluded specified categories, including vegetable oils and vanaspati, by references to Schedule items (physical pages 3–5 / SCR 851–853).

The exception followed the Schedule's pattern. Where clause (c) intended to refer to an entire item it used that item's heading; where it selected only a sub-item it specified that sub-item. Fuels illustrated an entire-item reference, while jute textiles illustrated a selected sub-item within the wider textiles heading. The descriptions in the Schedule and clause (c) were identical. The Court reasoned that the incentive clauses, the exception and the Schedule all referred to articles and had to carry the same meaning and purport (physical pages 5–7 / SCR 853–855).

That statement that the provisions referred to articles did not result in allowing the assessee's claim. Reading those words with the linked headings and sub-items, the Court agreed with the High Court and dismissed both appeals. The source does not reproduce the full text of item 28 or articulate a separate general test for every industrial by-product. The actual denial and the limits of the printed reasoning must be retained together (physical pages 3–7 / SCR 851–855).

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

03 JUDICIAL DECISION

Both assessee appeals were dismissed and the Gujarat High Court's decision against entitlement to the additional deductions for AYs 1966-67 and 1967-68 was sustained. The operative order states "No costs." It does not quantify an additional tax liability or decide every other export relief (physical page 7 / SCR 855).

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

04 OUTCOME / IN WHOSE FAVOUR

In whose favour: Revenue

Civil Appeal Nos. 452 and 453 of 1978 dismissed; High Court ruling denying the claimed additional deductions upheld; no costs

Final reasoned merits determination of the two historical additional-deduction questions

Finance Act, 1966 and 1967 additional deductions for the specified years and Schedule-linked exclusions. No universal industrial-by-product rule or holding under a later export-incentive provision is supplied.

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

05 AKHB REVIEW POINT

For a Schedule-linked exemption or incentive, read the operative grant, the exclusion and the incorporated item or sub-item together. Here an isolated argument that de-oiled cake was not expressly listed did not secure the deduction. The judgment's emphasis on articles must be read with its parallel-heading and sub-item analysis and its actual dismissal of the appeals.

Keep the legislation and arithmetic straight. These were annual Finance Act deductions from income-tax in AYS 1966-67 and 1967-68, not a later profit deduction simply because the dispute concerned exports. The sales figures are not the deduction amounts. The quoted two-per-cent element was an input to an average-rate tax calculation, and the present appeals concerned the additional subclauses rather than a general adjudication of every export relief.

The source does not set out item 28 in full or independently explain the chemical or commercial identity of all de-oiled products. Do not fill that gap with a supposed holding that all oil-industry by-products are vegetable oil, or that all unlisted articles qualify. A contemporary question needs its own applicable statute and classification evidence; later treatment and present-law mapping are not verified here.

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

PROPOSITION-SPECIFIC SOURCE PARAGRAPHS AND PDF PAGES

1.

Topic: Identity, date, two-appeal caption and High Court reference

Source url: [Open cited source](#)

Pdf pages: 1; 2

Paragraphs: Exact physical PDF pages; SCR pagination stated in the note

Source role: reported metadata and judicial text

2.

Topic: Two assessment years and exact deduction questions

Source url: [Open cited source](#)

Pdf pages: 2; 3

Paragraphs: Exact physical PDF pages; SCR pagination stated in the note

Source role: judicial text

3.

Topic: Historical incentive formula and clause (c) exclusion text

Source url: [Open cited source](#)

Pdf pages: 3; 4; 5

Paragraphs: Exact physical PDF pages; SCR pagination stated in the note

Source role: judicial text

4.

Topic: Groundnut-oil business, sale values and appellate history

Source url: [Open cited source](#)

Pdf pages: 5

Paragraphs: Exact physical PDF pages; SCR pagination stated in the note

Source role: judicial text

5.

Topic: Schedule heading / sub-item comparison and articles reasoning

Source url: [Open cited source](#)

Pdf pages: 5; 6; 7

Paragraphs: Exact physical PDF pages; SCR pagination stated in the note

Source role: judicial text

6.

Topic: Both appeals dismissed; no costs

Source url: [Open cited source](#)

Pdf pages: 7

Paragraphs: Exact physical PDF pages; SCR pagination stated in the note

Source role: judicial text

JUDICIAL AUTHORSHIP AND SEPARATE OPINIONS

B.P. Jeevan Reddy, J.

ACT IDENTIFIED IN THE REVIEWED SOURCE

Finance Act, 1966; Finance Act, 1967; Industries (Development and Regulation) Act, 1951; Income-tax Act, 1961 (reference procedure)

SOURCE & VERIFICATION

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

Identified source rendition: 7 PDF pages; SHA-256

646092867f35756b5aa235f9992cc3e06fb0f73cf499e3bb3b9a46cabe236cfa. Original bytes preserved.

Complete judicial text physical pages 2–7 / SCR 850–855; headnote separated. Two appeals, two assessment years, historical Finance Act deduction text and referenced IDR Schedule classifications read in full; final dismissal and no-costs direction verified.

[Open cited source rendition](#)

The source caption covers Civil Appeal Nos. 452 and 453 of 1978, not just No. 452 in ingestion metadata. The date is 20 February 1996.; The operative incentives and exclusions belong to the Finance Acts of 1966 and 1967; section 256(1) of the 1961 Act supplies the reference procedure. Do not mislabel the Finance Act subsections or invent a section 80HHC holding.; The second referred question at physical page 3 abbreviates the 1967 provision as section 2(4)(ii) and (iii); the explanatory judicial text and factual claim identify clause (a). The note uses the fully stated statutory reference with this caution.; The amounts Rs 48,92,902 and Rs 24,13,040 are values of exported / exporter-sold de-oiled cakes for AYs 1966-67 and 1967-68 respectively. The judgment states no quantified tax award.; The conclusion that the relevant provisions refer to articles must not be reported as a taxpayer victory. The Court expressly dismissed both appeals and agreed with the High Court.; The judgment quotes the 1966 scheme and calls the relevant 1967 provisions identical; their original enactments and amendments have not been separately checked.; The full item 28 text and a general by-product classification test are not supplied in the source. Do not add them as holdings.; Later judicial treatment, current export relief and Income-tax Act, 2025 mapping remain unverified.

The substantive deductions are under Finance Act, 1966 sections 2(5)(a)(ii)–(iii) and 2(5)(c), and Finance Act, 1967 sections 2(4)(a)(ii)–(iii) and 2(4)(c), read with the First Schedule, particularly item 28, to the Industries (Development and Regulation) Act, 1951. They must not be retagged as subsections of the Income-tax Act, 1961. Section 256(1) is the expressly stated income-tax reference route; no section 80HHC or current export deduction is decided.

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. Later judicial treatment has not been independently verified. Precedents discussed inside this judgment are distinguished from later treatment of this judgment.

IDENTIFIED SOURCE LINKS

[reported judgment - PDF pages: 7](#)

SHA-256: 646092867f35756b5aa235f9992cc3e06fb0f73cf499e3bb3b9a46cabe236cfa

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