

Commissioner of Income Tax, Tamil Nadu-V, Madras v. Kotagiri Industrial Co-operative Tea Factory Ltd., Kotagiri

Civil Appeal No. 5912 of 1983

[1997] 2 SCR 738 | 1997-03-05

Whether section 80P deduction precedes or follows the section 72 set-off of carried-forward business losses in determining gross total income.

72 | 80P(1) | 80P(2) | 80B(5)

Two-judge bench | S.C. Agrawal, J. | G.B. Pattanaik, J.

Assessment years: 1972-73

Historical deduction base; losses were set off first

For AY 1972-73, the larger carried-forward section 72 business losses eliminated the section 80P deduction base. The decision does not establish every component's eligibility or a universal rule for all losses. The report's abbreviated section 80B(5) quotation is not the complete historic wording; the section 280-O wording change is separately checked. Later treatment and current-law mapping remain unverified.

01 FACTS OF THE CASE

For AY 1972-73, the co-operative society reported income of Rs 85,150 and claimed a section 80P(2) deduction of Rs 53,386. It manufactured and sold tea, supplied agricultural manure to members, and received dividends from investments in other co-operative societies. Business losses carried forward into the year amounted to Rs 1,82,744 (PDF page 3/SCR 740).

The ITO set off those losses first. Since they exceeded the income, he allowed no section 80P deduction. The Appellate Assistant Commissioner and Tribunal instead gave the deduction priority, and the Madras High Court answered the referred ordering question against the Revenue. The Revenue appealed by certificate (PDF pages 3-4).

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

02 DISCUSSION BY THE HON'BLE COURT

Section 80P(1) operates where gross total income includes the qualifying income. The Court read that condition with section 80B(5), under which gross total income is computed under the Act before Chapter VI-A deductions. For this case, that required the earlier business losses to be set off under section 72 before considering section 80P relief (PDF page 5/SCR 742).

The Court applied the deduction-base reasoning discussed in *Distributors (Baroda)*, which had overruled *Cloth Traders*, and the brought-forward capital-loss reasoning of H.H. Sir Rama Varma. It distinguished *Venkatachalam* in its own section 80T context rather than announcing that all loss categories must be treated identically. The cited dividend and capital-gains cases supplied the analysis; the present dispute remained about carried-forward business losses and section 80P (PDF pages 5–7).

The policy of encouraging co-operative societies did not permit a different meaning for the expressly defined gross-total-income requirement. Because the losses exceeded the income, the ITO had correctly refused the deduction. The Court did not separately decide eligibility of each business or dividend component under the individual sub-clauses of section 80P(2) (PDF pages 7–8).

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

03 JUDICIAL DECISION

The Revenue appeal was allowed; the High Court judgment was set aside and the referred question answered in the negative, for the Revenue and against the assessee. There was no order as to costs. The ITO's ordering of the loss set-off before the section 80P deduction was upheld (PDF page 8/SCR 745).

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

04 OUTCOME / IN WHOSE FAVOUR

In whose favour: Revenue

Appeal allowed; High Court judgment set aside; reference answered against deduction-first treatment; no costs

Final decision on the ordering and available deduction base for AY 1972-73

The carried-forward section 72 business losses exceeded the stated income. No universal finding on all loss categories or present-day co-operative eligibility.

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

05 AKHB REVIEW POINT

Separate the question whether income falls within a deduction provision from the question whether the statutory deduction base remains after required computation and set-offs. Here, a positive pre-set-off figure did not preserve section 80P relief after the larger carried-forward business losses. Do not transplant this holding to another exemption, loss category or year without reading that provision's mechanics.

This is an AY 1972-73 decision. The report's short section 80B(5) quotation should not be passed off as a verbatim reproduction of the entire provision then in force: the checked official-hosted compilation records that its former section 280-O reference was removed only from 1 April 1988 (PDF page 424, footnote 53). That wording history does not alter the Court's section 72 conclusion. The cited-case section 80M/80T reasoning is not a present-law deduction guide; comprehensive later treatment 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, AY 1972-73 amounts and reference history

Source url: [Open cited source](#)

Pdf pages: 1; 3; 4

Paragraphs: Unnumbered judicial text

Source role: reported metadata and judicial text

2.

Topic: Sections 80P(1), 80B(5) and required section 72 computation

Source url: [Open cited source](#)

Pdf pages: 5

Paragraphs: SCR 742 B–F

Source role: judicial text

3.

Topic: Dividend/capital-loss precedents and their distinct contexts

Source url: [Open cited source](#)

Pdf pages: 5; 6; 7

Paragraphs: Unnumbered judicial text

Source role: judicial text

4.

Topic: Application, statutory-definition limit and final relief

Source url: [Open cited source](#)

Pdf pages: 7; 8

Paragraphs: SCR 744 F–H; 745 A–B

Source role: judicial text

5.

Topic: Bounded historical wording and 80P introduction

Source url: [Open cited source](#)

Pdf pages: 424; 538

Paragraphs: Section 80B(5), footnote 53; section 80P(1), footnote 4

Source role: compiled statute and editorial amendment history

JUDICIAL AUTHORSHIP AND SEPARATE OPINIONS

Judgment of the Court; individual author not identified in the report

ACT IDENTIFIED IN THE REVIEWED SOURCE

Income-tax Act, 1961

SPECIFIED STATUTORY CHECKS AND THEIR LIMITS

1.

Status: bounded compiled text and history footnotes checked

Source url: [Open cited source](#)

Pdf pages: 424; 538

Finding: The official-hosted 2011 compilation records section 80P's 1968 introduction and removal of section 280-O from section 80B(5) from 1 April 1988. Used to qualify historical quotation fidelity, not to certify current law.

APPLICABLE HISTORICAL STATUTORY CONTEXT AND LIMITS

Adjudicated version: AY 1972-73 sections 72, 80P(1)–(2) and 80B(5), as applied by the Court; no current-year eligibility certification.

Quotation limit: The judgment quotes a shortened/later form of the gross-total-income definition on page 5; its embedded Distributors quotation on page 6 still includes section 280-O. The full historical provision is not silently reconstructed from either quotation.

Incidental provisions: Sections 80E, 80M and 80T appear through precedent comparisons, not as the present deduction claims.

SOURCE & VERIFICATION

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

Identified source rendition: 8 PDF pages; SHA-256

36a5c595c92ad7118908c1a843a4e295b0ddc03ef3779ed7e4a577e06f298fd8. Original bytes preserved.

Complete unnumbered judicial text on physical PDF pages 3–8; preceding text is reporter/headnote/appearance material. No adjacent judgment. All report pages also read.

[Open cited source rendition](#)

The report does not assign an individual judgment author; bench membership alone is not authorship.; Rs 85,150 is the pre-set-off income stated in the case, Rs 1,82,744 the carried-forward loss and Rs 53,386 the claimed deduction; none is the tax payable.; The text does not allocate the claimed deduction among particular section 80P(2) sub-clauses or decide all components' eligibility.; Section 80B(5) appears in different-length quotations on physical pages 5 and 6; the historical section 280-O wording is disclosed in the bounded statutory comparison.; The liberal-construction contention was rejected for the expressly defined deduction base; it was not a blanket rejection of beneficial interpretation.

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. Comprehensive subsequent judicial and statutory treatment has not been verified. Only the expressly identified bounded comparisons have been checked. No current-law or Income-tax Act, 2025 mapping is certified.

IDENTIFIED SOURCE LINKS

[reported judgment - PDF pages: 8](#)

SHA-256: 36a5c595c92ad7118908c1a843a4e295b0ddc03ef3779ed7e4a577e06f298fd8

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

SHA-256: 1ec6e4c38dc1d524d1d40b1fd35d13ac1336c8fc549cef2af1bf723a999c822b

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