

Commissioner of Income Tax v. Kerela State Industrial Development

Civil Appeal Nos. 3315–3316 of 1993

[1998] 1 SCR 871 | 1998-02-12

Whether the section 36(1)(viii) deduction for the stated historical year was computed on income before deducting that same allowance.

36(1)(viii) (historical)

Two-judge bench | B.N. Kirpal, J. | A.P. Mishra, J. (as printed)

Assessment years: 1978-79

Before-own-deduction point only; later base and conditions differ

The two appeals concerned AY 1978-79 and the order supplies no amount or rate calculation. It does not establish a deduction from all income under every later version. The checked 2011 text uses specified-entity, eligible-business and reserve conditions. Source title/judge spellings and the singular footer are preserved; current law and comprehensive later treatment remain unverified.

01 FACTS OF THE CASE

For AY 1978-79, the Tribunal's calculation of the statutory deduction before subtracting the allowance itself was upheld by the Kerala High Court. Revenue brought two certificate appeals. The short report states no reserve amount, percentage calculation, loan transactions or disputed tax quantum (physical page 2).

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

02 DISCUSSION BY THE HON'BLE COURT

The Court accepted the High Court's approach of computing income under the relevant business-computation provisions without first deducting the very section 36(1)(viii) allowance being calculated. It rejected the contrary Karnataka approach on this question and noted that an earlier Bihar State Financial Corporation appeal had already been dismissed (physical pages 2–3).

It also noted a later amendment bringing the wording into line with the accepted approach, but the judgment does not set out a complete amendment history or a new computation for every later version. Agreement with the other authorities was tied to the specific before-own-deduction question (physical page 3).

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

03 JUDICIAL DECISION

Both Revenue appeals were dismissed without costs. The question was answered affirmatively for the assessee. No quantified reserve deduction or remand was ordered (physical page 3).

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

04 OUTCOME / IN WHOSE FAVOUR

In whose favour: Assessee

Two Revenue appeals dismissed; no costs

Final on the historical before-own-deduction computation issue

Not a universal deduction from all company income, removal of reserve/eligibility conditions or certification of a later percentage and base.

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

05 AKHB REVIEW POINT

Avoid a circular computation where the applicable text requires the allowance to be calculated before itself. Separately verify the correct income base, eligible entity, business, reserve and year; winning the before-deduction point does not eliminate those other requirements.

The checked 2011 compilation contains materially later wording for section 36(1)(viii): specified entities, eligible-business profits, a reserve requirement and a percentage limit. Footnote 68 records substitution from 1 April 2008. That later text must not be replaced by a bare reference to this case's historical total-income formulation. The note does not verify current eligibility, a present rate or comprehensive later treatment.

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

PROPOSITION-SPECIFIC SOURCE PARAGRAPHS AND PDF PAGES

1.

Topic: Identity, two appeals and exact historical question

Source url: [Open cited source](#)

Pdf pages: 1; 2

Paragraphs: Unnumbered judicial text

Source role: reported metadata and judicial text

2.

Topic: Reasoning and dismissal

Source url: [Open cited source](#)

Pdf pages: 3

Paragraphs: Unnumbered judicial text

Source role: judicial text

3.

Topic: Later eligible-business and reserve conditions

Source url: [Open cited source](#)

Pdf pages: 285; 286; 287

Paragraphs: Section 36(1)(viii), proviso, definitions and footnote 68

Source role: bounded historical statutory text

JUDICIAL AUTHORSHIP AND SEPARATE OPINIONS

B.N. Kirpal, J.

ACT IDENTIFIED IN THE REVIEWED SOURCE

Income-tax Act, 1961

SOURCE & VERIFICATION

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

Identified source rendition: 3 PDF pages; SHA-256

3036b9ef74cbf968d89131bab28a707c2231d2180042c90d716bdcc91cf0cddd. Original bytes preserved.

Complete unnumbered judicial text physical pages 2–3/SCR 872–873, with original caption and editorial treatment labels checked.

[Open cited source rendition](#)

The original title prints Kerela and abbreviates the respondent's name. The judicial discussion separately cites the fuller Kerala State Industrial Development Corporation title; no new entity is inferred.; The cover prints A.P. Mishra. That source spelling is retained rather than silently normalised without an independent identity source.; Both CA 3315–3316/1993 are listed, although the reporter footer is singular.; The Court describes its earlier Bihar appeal dismissal and the later statutory change, but no fresh ruling on that earlier appeal or exact old deduction amount follows.; The later statutory comparison is the 2011 compiled text and its stated history, not a claim that the same text or rate governs today.

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: 3](#)

SHA-256: 3036b9ef74cbf968d89131bab28a707c2231d2180042c90d716bdcc91cf0cddd

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

SHA-256: 1ec6e4c38dc1d524d1d40b1fd35d13ac1336c8fc549cef2af1bf723a999c822b

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