

Kerala State Cooperative Marketing Federation Ltd. and Another v. Commissioner of Income Tax

Civil Appeal No. 506 of 1994 / Civil Appeal No. 15430 of 1996 / Civil Appeal No. 2354 of 1996 / Civil Appeal No. 2355 of 1996

[1998] 3 SCR 443 | 1998-05-13

Whether the section 80P(2)(a)(iii) wording then considered covered an apex society marketing agricultural produce belonging to its member societies even though those societies had acquired rather than themselves grown it.

80P(1) | 80P(2)(a)(iii) (then wording: agricultural produce of its members) | 81(i)(c) (historical predecessor) | 80P(2) (other heads as interpretive context)

Three-judge bench | S.C. Agarwal, J. | S.P. Kurdukar, J. | S. Rajendra Babu, J.

Assessment years: 1980-81

Original wording later replaced retrospectively; preserve finality limits

The 1998 “belonging to its members” construction was followed by a retrospective “grown by its members” substitution from 1 April 1968. The checked 2003 NAFED judgment upholds the changed statutory basis but preserves final inter partes judgments and does not revive time-barred reopening powers. This is not a current apex-society eligibility certificate. The lead appeal was allowed and three companion appeals dismissed; purchase totals are not quantified relief. The later source’s December 1998 date conflicts with the verified 13 May 1998 cover. Comprehensive later treatment and current-law/2025-Act mapping remain unverified.

01 FACTS OF THE CASE

In the lead appeal, the apex federation bought cashew nuts from primary cooperative societies that were its members. For AY 1980-81 it reported total purchases of Rs 33,23,71,339, of which Rs 95,02,851 were from member societies, and claimed relief on the attributable profits. The Commissioner (Appeals) accepted relief for member-society procurement but excluded purchases from non-members. The Tribunal dismissed both Revenue’s appeal and the assessee’s wider claim for the whole business profits (physical pages 4–5).

The High Court answered the reference against the federation because it followed Assam Cooperative Apex Marketing Society. The Supreme Court heard a batch, set out the facts of Civil Appeal No. 506 of 1994 and stated that its result would govern the other matters; separate companion facts or years are not supplied (physical pages 4–5 and 13).

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

02 DISCUSSION BY THE HON'BLE COURT

The Court construed the then words “agricultural produce of its members” as produce belonging to the members, not necessarily grown by them. Marketing was broad enough to include buying, storage, transport, processing and related commercial functions, which an apex society could perform. It contrasted member produce with non-member purchases and observed that the provision expressly limited particular other reliefs to primary societies when that was intended (physical pages 7–8).

The Court treated each statutory head as distinct and adopted the Delhi High Court’s contextual reading of “of”, supported by the other decisions discussed. It rejected the restrictive Assam Cooperative approach and reversed the Kerala High Court on that original wording. This reasoning concerned profits attributable to marketing member produce; it did not give the federation a blanket deduction for non-member business or award the purchase price itself as a deduction (physical pages 8–13).

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

03 JUDICIAL DECISION

Civil Appeal No. 506 of 1994 was allowed: the High Court order was set aside and the referred question answered affirmatively for the assessee and against Revenue, with no order as to costs. Following that decision, Civil Appeal No. 15430 of 1996 and Civil Appeal Nos. 2354–2355 of 1996 were dismissed. Those three dismissals are expressly retained rather than describing the whole batch as allowed (physical page 13).

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

04 OUTCOME / IN WHOSE FAVOUR

In whose favour: Assessee on the historical construction

Lead appeal allowed; three specified companion appeals dismissed following it; no costs ordered in the lead operative paragraph

Final interpretation of the original wording, subject to the separately identified subsequent retrospective substitution

No blanket deduction for non-member business or every apex society, no quantified deduction, and no basis to apply the superseded “belonging to” test without the amended statute and applicable finality/limitation rules.

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

05 AKHB REVIEW POINT

For the original decision, identify whose produce was marketed and isolate the attributable profits; the purchase totals are not the amount of deduction awarded. Preserve the lead/companion dispositions and the Court's treatment of separate statutory heads rather than enlarging the answer into a complete cooperative exemption.

The later boundary is indispensable. The checked 2011 compilation, page 539 and footnote 8, records replacement by "agricultural produce grown by its members" retrospectively from 1 April 1968. In the checked 25 March 2003 NAFED judgment, pages 11–17, the Court upheld that changed statutory basis, while preserving final inter partes judgments for the years adjudicated and explaining that the amendment did not revive reopening powers already lost to limitation. Thus the original "belonging to" rule is not a current eligibility test, and the amendment is not an instruction to reopen every completed assessment. No comprehensive later section 80P, current-law or 2025-Act mapping is certified.

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

PROPOSITION-SPECIFIC SOURCE PARAGRAPHS AND PDF PAGES

1.

Topic: Identity, lead year, purchases and appellate history

Source url: [Open cited source](#)

Pdf pages: 1; 3; 4; 5

Paragraphs: Unnumbered judicial text

Source role: reported metadata and judicial text

2.

Topic: Original statutory wording and belonging-to construction

Source url: [Open cited source](#)

Pdf pages: 5; 6; 7; 8

Paragraphs: Unnumbered judicial text

Source role: judicial text

3.

Topic: Adopted Delhi reasoning and other authorities

Source url: [Open cited source](#)

Pdf pages: 8; 9; 10; 11; 12

Paragraphs: Unnumbered judicial text

Source role: judicial text

4.

Topic: Lead appeal allowed; three companion appeals dismissed

Source url: [Open cited source](#)

Pdf pages: 13

Paragraphs: Unnumbered judicial text

Source role: judicial text

5.

Topic: Later grown-by substitution and effective date

Source url: [Open cited source](#)

Pdf pages: 539

Paragraphs: Section 80P(2)(a)(iii) and footnote 8

Source role: bounded historical statutory text

6.

Topic: Later history, date/title cautions and changed statutory basis

Source url: [Open cited source](#)

Pdf pages: 8; 9; 11

Paragraphs: Unnumbered judicial text

Source role: later primary judicial text

7.

Topic: Later finality/limitation qualifications and dismissal

Source url: [Open cited source](#)

Pdf pages: 14; 15; 16; 17

Paragraphs: Unnumbered judicial text

Source role: later primary judicial text

JUDICIAL AUTHORSHIP AND SEPARATE OPINIONS

S. Rajendra Babu, J.

ACT IDENTIFIED IN THE REVIEWED SOURCE

Income-tax Act, 1961

SOURCE & VERIFICATION

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

Identified source rendition: 13 PDF pages; SHA-256

6b814c75770b449ed44329d68239526662588e3eb8a5f4309452bf47a2363e26. Original bytes preserved.

Complete unnumbered judgment from physical page 4/SCR 446 through physical page 13/SCR 455. Pages 1–3 and opening of page 4 are reporter/formal material. The long Delhi High Court quotation is embedded precedent analysis, not new facts of the assessee. No adjacent judgment.

[Open cited source rendition](#)

Only the lead case's AY 1980-81 is identified in this judgment. No assessment years, separate facts or party identities are invented for the three companion appeals.

The frozen source metadata names only Civil Appeal No. 506 of 1994. The operative ending also disposes of No. 15430 of 1996 and Nos. 2354–2355 of 1996; all four are retained, without invented companion years or party names.; Rs 33,23,71,339 and Rs 95,02,851 are purchase totals, not a judicially quantified profit exemption. The language “claim for exemption of this amount” on page 4 is not converted into an award of the purchase price.; The operative paragraph’s “would mean not only” sentence is grammatically incomplete; the repeated reasoning on pages 7–8 establishes the original belonging-to construction without repairing the PDF.; The reporter calls Assam Cooperative overruled; the judicial reasons reject its restrictive view and reverse the High Court following it. The checked 2003 judicial sequel expressly characterises the 1998 result as overruling Assam.; The 2003 sequel prints that the Kerala decision was given in December 1998; this conflicts with the checked primary cover’s 13 May 1998, which controls this note’s date. The later source also calls the amendment a 1999 Act (No. 11 of 1999), while the 2011 compilation uses the short title Income-tax (Second Amendment) Act, 1998; the sources are not silently rewritten.; The source cover spells S.C. Agarwal, while the ingestion metadata spells S.C. Agrawal. The note follows the cover.; The later amendment changes the statutory basis; the 2003 finality and limitation qualifications must accompany any shorthand statement about retrospective effect.

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: 13](#)

SHA-256: 6b814c75770b449ed44329d68239526662588e3eb8a5f4309452bf47a2363e26

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

SHA-256: 1ec6e4c38dc1d524d1d40b1fd35d13ac1336c8fc549cef2af1bf723a999c822b

[later primary statutory change judgment - PDF pages: 17](#)

SHA-256: 68018d3e734d2d9f7f3b5cde22d5bb7f59ea257a0fcc2d870ceefb5c5b4d0b9b

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