

Commissioner of Income Tax v. Sirpur Paper Mills Etc. Etc.

Civil Appeal No. 2398 of 1994 and connected appeals (other numbers not supplied in this source)

[1999] 2 SCR 10 | 1999-03-18

Whether the Board could reduce the otherwise allowable initial superannuation contribution to 80% and spread that reduced deduction over five years through the 21 October 1965 notification.

36(1)(iv) | 28 (quoted computation reference) | 256(1) | 256(2)

Two-judge bench | S.P. Bharucha, J. | R.C. Lahoti, J.

Assessment years: 1981-82 (lead appeal facts only; other appeal years not supplied)

Only two restrictions rejected; actual-payment issue reserved

The Court rejected the 80% haircut and five-year spread, while preserving the 25% condition and expressly leaving the actual-payment-condition question undecided because payment had occurred. This is no authority for unpaid contributions or unrestricted deductions. The report identifies only the lead appeal's AY 1981-82 facts; all connected Revenue appeals were dismissed without costs, but their separate details are not supplied. Comprehensive later treatment and current-law conditions remain unverified.

01 FACTS OF THE CASE

The appeals involved similar facts, but the Court supplied figures only for Civil Appeal No. 2398 of 1994. For AY 1981-82 the assessee contributed Rs 2,70,911 for the current year and an aggregate Rs 2,14,785 for five past years to an approved superannuation fund. The assessing officer relied on the Board's notification of 21 October 1965 to restrict the deduction to 80% and spread it over five years. The Commissioner (Appeals) allowed the deduction in full and the Tribunal upheld that result (physical page 3/SCR 12C-F).

Both the Tribunal and High Court refused Revenue's request for a reference. The High Court followed Hyderabad Asbestos Cement Products Ltd. The earlier special-leave petition against that decision had been dismissed for delay, so the Supreme Court expressly heard these appeals on merits; the earlier dismissal was not treated as a merits ruling (physical page 3/SCR 12A-C, F-G).

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

02 DISCUSSION BY THE HON'BLE COURT

The Court examined section 36(1)(iv), rules 87 and 88 and all three conditions in the notification. It assumed for these appeals, without deciding, that the contributions were outside the annual-fixed-contribution class and that the Board could impose conditions. It accepted the Board's power to impose the 25%-of-salary limit, read with the provident-fund reduction in the quoted rule and notification (physical pages 4-6/SCR 13A-15C).

The 80% restriction impermissibly reduced the statutory allowance, and the five-year spreading requirement added a timing restriction not contemplated by the section. The payment was in fact made. The Court specifically reserved whether the Board could require actual payment, pointing out that the section itself referred to sums paid. It therefore described Hyderabad Asbestos as substantially, rather than unreservedly, correct (physical pages 6-7/SCR 15D-16A).

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

03 JUDICIAL DECISION

All the Revenue appeals were dismissed, with no order as to costs. The full otherwise allowable deduction in the payment-related assessment year was not to be reduced to 80% or spread over five years under the challenged conditions. The source does not identify every connected appeal or its separate assessment year or amount (physical page 7/SCR 16A-B).

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

04 OUTCOME / IN WHOSE FAVOUR

In whose favour: Assesseees in the connected appeals

All Revenue appeals dismissed; no order as to costs

Final rejection of the challenged 80% and five-year restrictions on these paid contributions

The 25% limit is preserved; actual-payment-condition validity is expressly undecided; no deduction for unpaid or unapproved-fund contributions is awarded.

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

05 AKHB REVIEW POINT

Read each condition separately. A delegated condition may regulate an allowance within the parent provision, but cannot reduce its substantive extent or invent a spread-over period without statutory support. Here the Court did not invalidate every condition in the notification.

Before applying the result, identify the approved fund, payment, contribution category and applicable year-specific limits. Do not use the judgment's qualified endorsement of Hyderabad Asbestos to claim a deduction without payment, or extrapolate the lead appeal's figures to unidentified connected cases. Later statutory and judicial treatment has not been comprehensively checked.

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

PROPOSITION-SPECIFIC SOURCE PARAGRAPHS AND PDF PAGES

1.

Topic: Identity and lead docket; connected appeals unnamed

Source url: [Open cited source](#)

Pdf pages: 1; 2

Paragraphs: SCR 10-11

Source role: reported metadata

2.

Topic: Lead facts, reference refusal and earlier technical SLP dismissal

Source url: [Open cited source](#)

Pdf pages: 3

Paragraphs: Unnumbered; SCR 12A-H

Source role: judicial text

3.

Topic: Section, rules and three notification conditions

Source url: [Open cited source](#)

Pdf pages: 4; 5

Paragraphs: Unnumbered; SCR 13-14

Source role: quoted statutory and notification text

4.

Topic: Assumption, valid cap and invalid restrictions

Source url: [Open cited source](#)

Pdf pages: 6

Paragraphs: Unnumbered; SCR 15A-H

Source role: judicial text

5.

Topic: Express reservation and all-appeal dismissal

Source url: [Open cited source](#)

Pdf pages: 7

Paragraphs: Unnumbered; SCR 16A-B

Source role: judicial text

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: 7 PDF pages; SHA-256

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Complete unnumbered judicial text on physical pages 3-7/SCR 12-16, from Bharucha, J. through dismissal of all appeals; physical pages 1-2 are reporter headnote and identity materials. Statute, rules and notification quoted within the judgment are distinguished from its reasoning.

[Open cited source rendition](#)

Only Civil Appeal No. 2398 of 1994 is numbered in the report; "Etc. Etc." and the final plural "appeals" show connected appeals, whose identities and individual facts remain unknown.; The 25% condition is lawful on the Court's reasoning, with the reduction for provident-fund contributions appearing in the quoted rule and notification; the judgment does not grant an unlimited deduction.; Whether these were fixed annual contributions was assumed against that classification for analysis, not conclusively decided.; Actual payment had occurred. The Court expressly declined to decide the correctness of the High Court's view that the Board could not require it.; The earlier Hyderabad Asbestos special-leave dismissal was for undue delay, not a substantive affirmation.

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: 7](#)

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