

The Commissioner of Income Tax v. M/s Cynamid India Ltd.

Civil Appeal Nos. 4403-4404 of 1996

[1999] 2 SCR 601 | 1999-04-13

Whether rice husk used to manufacture animal feed remained a product of agriculture for the historical section 35C deduction; the separately admitted section 35B questions were not pressed.

35C (historical merits issue) | 35B (export questions not pressed) | 256

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

Assessment years: 1974-75, 1975-76

Section 35C merits only; export questions expressly unpressed

Revenue did not press questions 6 and 8 under section 35B, so the final dismissal supplies no export-deduction ratio. The merits holding concerns rice husk under section 35C for AYs 1974-75 and 1975-76. The checked 2011 compilation records both provisions' omission from 1 April 1989. Both appeals were dismissed without costs, but no fresh computation was awarded. Present entitlement, comprehensive later treatment and 2025 mapping remain unverified.

01 FACTS OF THE CASE

The assessee manufactured AUROFAC animal feed, using rice husk as its principal raw material. It spent money distributing agricultural literature and pamphlets to rice growers on techniques to increase yields. The Tribunal rejected section 35C relief because it viewed paddy alone as the direct agricultural product and husk as the result of a separate dehusking process. The High Court answered for the assessee (physical page 3/SCR 603B-H).

The Supreme Court had admitted the two appeals only on reference questions 4, 6 and 8 out of eight questions. Question 4 concerned section 35C claims of Rs 66,352 plus Rs 1,60,428 for AY 1974-75 and Rs 2,00,599 for AY 1975-76. Questions 6 and 8 concerned export-promotion weighted deductions. At the hearing Revenue did not press those two questions because the tax amount was small, and confined its submissions to question 4 (physical pages 2-3/SCR 602C-603A).

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

02 DISCUSSION BY THE HON'BLE COURT

The Court adopted the High Court's reasoning that dehusking paddy was, in this context, an agricultural rather than an industrial or manufacturing operation as ordinarily understood. Rice and husk retained their natural form when separated. The agricultural-development purpose of the applicable section supported including a product that underwent a simple operation to make it more saleable or usable, rather than confining the phrase to the crop as it grew (physical pages 3-4/SCR 603E-604A).

This reasoning resolved question 4 under the section as it stood for AYs 1974-75 and 1975-76. It supplied no reasoned ruling on the abandoned section 35B questions, on export-deduction percentages, or on the other five reference questions outside the grant of leave.

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

03 JUDICIAL DECISION

Both Revenue appeals were dismissed. The Court agreed with the High Court on the section 35C issue argued before it; the export questions remained unpressed. No costs were ordered because the respondent had not appeared. No new tax or deduction computation was made (physical pages 3-4/SCR 603A and 604A).

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

04 OUTCOME / IN WHOSE FAVOUR

In whose favour: Assessee

Both Revenue appeals dismissed; no costs because respondent did not appear

Section 35C question decided on merits; section 35B questions 6 and 8 not pressed

Historical rice-husk/raw-material issue; no section 35B ratio and no universal agricultural-income, manufacturing or present weighted-deduction rule.

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

05 AKHB REVIEW POINT

Keep the grounds of dismissal separate. The section 35C reasoning is a merits holding about a minimally processed agricultural product in its statutory setting. Revenue's decision not to press the export questions does not establish the correctness of any general export-expense formula or percentage. The reporter's broad "35 B & C" description must not obscure that distinction.

The bounded government-hosted 2011 compilation check records sections 35B and 35C as omitted from 1 April 1989 (physical page 268/printed 1.227). This historical deduction cannot be presented as a current entitlement. No later judicial treatment or 2025 mapping is verified.

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

PROPOSITION-SPECIFIC SOURCE PARAGRAPHS AND PDF PAGES

1.

Topic: Identity and potentially overbroad headnote

Source url: [Open cited source](#)

Pdf pages: 1

Paragraphs: SCR 601

Source role: reported metadata and editorial text

2.

Topic: Both appeals, limited leave and three referred questions

Source url: [Open cited source](#)

Pdf pages: 1; 2

Paragraphs: Unnumbered; SCR 601H-602H

Source role: reported metadata and judicial text

3.

Topic: Export grounds not pressed and section 35C facts

Source url: [Open cited source](#)

Pdf pages: 3

Paragraphs: Unnumbered; SCR 603A-D

Source role: judicial text

4.

Topic: Adopted agricultural-product reasoning and final dismissal

Source url: [Open cited source](#)

Pdf pages: 3; 4

Paragraphs: Unnumbered; SCR 603E-604A

Source role: judicial text

5.

Topic: Bounded check: section 35B/35C omission entries

Source url: [Open cited source](#)

Pdf pages: 268

Paragraphs: Printed 1.227; section 35B and 35C omission entries and footnotes 71-72 only

Source role: bounded historical statutory compilation check

JUDICIAL AUTHORSHIP AND SEPARATE OPINIONS

R.C. Lahoti, J.

ACT IDENTIFIED IN THE REVIEWED SOURCE

Income-tax Act, 1961

SPECIFIED LATER PRIMARY-SOURCE CHECKS AND THEIR LIMITS

1.

Source url: [Open cited source](#)

Pages: 268

Finding: The government-hosted historical compilation records section 35B and 35C omission with effect from 1 April 1989.

Limit: Omission entries and footnotes only; no comprehensive later judicial or statutory treatment review.

SOURCE & VERIFICATION

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

Identified source rendition: 4 PDF pages; SHA-256

d710eecfefa625840fc7827b8efb8c89e68a4e62bd69415560c856dcff6ddb27. Original bytes preserved.

Complete unnumbered judicial text on physical pages 2-4/SCR 602-604, from R.C. Lahoti, J. through final dismissal of both appeals; page 1 is reporter headnote and identity material. The three admitted questions and two unpressed questions are retained.

[Open cited source rendition](#)

The source title consistently prints "Cynamid"; the note retains that source spelling rather than silently changing it.; The headnote calls the claim an "exemption" and broadly labels sections 35B and 35C. The judicial text concerns a deduction and expressly limits the merits argument to section 35C question 4.; Question 6 reproduces a 33 1/3% claim for one interval and 50% on Rs 42,207 for another; question 8 refers to 50% of Rs 20,706. These are unpressed questions, not Supreme Court rates or quantified awards.; Only three of eight reference questions were entertained by the order of 3 November 1995; the other questions are not decided in this judgment.; The later statutory check is confined to the 2011 compilation omission entries and footnotes on page 268; it is not a whole-book or current-law review.

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: 4](#)

SHA-256: d710eecfefa625840fc7827b8efb8c89e68a4e62bd69415560c856dcff6ddb27

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

SHA-256: 1ec6e4c38dc1d524d1d40b1fd35d13ac1336c8fc549cef2af1bf723a999c822b

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