

M/s. Surana Steels Pvt. Ltd. etc. etc. v. Deputy Commissioner of Income Tax and Others

Civil Appeal No. 4471 of 1995 / Civil Appeal No. 4472 of 1995 / Civil Appeal Nos. 180–181 (NT) of 1995 / Civil Appeal No. 7589 (NT) of 1997 / Civil Appeal No. 1663 of 1997 / SLP Nos. 12388 and 13429 of 1997

[1999] 2 SCR 589 | 1999-04-13

Whether “loss” in Companies Act 1956 section 205(1), first proviso clause (b), incorporated by historical section 115J Explanation clause (iv), meant loss after depreciation when determining the permissible book-profit reduction.

115J(1) and (1A) | 115J Explanation reduction clause (iv) | 115J(2) (reproduced context) | 256(1) | 256(2)

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

Assessment years: 1989-90 (illustrative V.V. Trans-Investments assessment), 1987-88 and 1988-89 (historical comparison figures for that assessee)

Historical section 115J only; body overrides misleading disposition footer

Surana reads loss after depreciation for the company-law formula incorporated in historical section 115J, while preserving the lower-of-loss-or-depreciation limit. Later sections 115JA/115JB use materially different loss wording; do not transplant this result. The detailed accounts belong to V.V. Trans-Investments, and the source's loss figures differ. Despite the footer “Appeal dismissed”, five assessee appeals succeeded and the Revenue appeal/two SLPs failed. No final tax computation was supplied. Comprehensive later treatment remains unverified.

01 FACTS OF THE CASE

Eight matters reached the Court through references, refusal-of-reference proceedings and writ petitions concerning the same interpretation. The Court illustrated the dispute with V.V. Trans-Investments, not with separately detailed accounts for every named appellant. Its table showed AY 1988-89 profit before depreciation of Rs 35,79,997, depreciation of Rs 67,75,759 and loss after depreciation of Rs 31,95,762; AY 1989-90 showed profit of Rs 28,37,947 (physical pages 3–4/SCR 591–592).

The illustrative assessee returned nil income after claiming the relevant earlier depreciation/loss adjustment. The assessing officer denied the set-off because there was no pre-depreciation business loss, and the appellate authorities in that matter agreed. The High Court adopted that interpretation across the batch, although a special Tribunal bench in other matters had favoured assessees. The narrative prints a different asserted earlier-loss figure from the table, so this note does not reconstruct a final tax calculation (physical pages 4–5/SCR 592–593).

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

02 DISCUSSION BY THE HON'BLE COURT

The historical section 115J regime deemed income at 30% of adjusted book profit where the statutory comparison required it; this was not a statement that the tax rate was 30%. Explanation clause (iv) incorporated the Companies Act rule requiring set-off of loss or depreciation, whichever was lower. The Court treated that as legislation by incorporation and read the company-law words in their original context, supported by the provision's object and the budget history (physical pages 5–10/SCR 593–598).

“Loss” in the incorporated formula meant the figure after depreciation. The Court's examples demonstrated the remaining lower-of-two cap: profit of Rs 1 lakh before Rs 3 lakh depreciation produced loss of Rs 2 lakh, making Rs 2 lakh the relevant set-off; pre-depreciation loss of Rs 1 lakh with Rs 3 lakh depreciation produced loss of Rs 4 lakh, leaving Rs 3 lakh as the lower amount. These were judicial illustrations, not the parties' own figures. The High Court erred in excluding the adjustment solely because the earlier year was profitable before depreciation (physical pages 10–11/SCR 598–599).

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

03 JUDICIAL DECISION

Civil Appeal Nos. 4471 and 4472 of 1995 and 180–181 (NT) of 1995, filed respectively by Surana Steels, V.V. Trans-Investment and Binjusaria Metal Box, were allowed and the Andhra Pradesh High Court order set aside. Civil Appeal No. 7589 (NT) of 1997, concerning refusal of a section 256 reference, was also allowed and its proposed questions answered in accordance with the Court's interpretation. Revenue's Civil Appeal No. 1663 of 1997 and SLP Nos. 12388 and 13429 of 1997 were dismissed. No costs order or fresh quantified computation was supplied (physical pages 11–12/SCR 599–600).

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

04 OUTCOME / IN WHOSE FAVOUR

In whose favour: Assessee across the identified batch

Five numbered assessee appeals allowed; one Revenue appeal and two Revenue SLPs dismissed; reference-refusal questions answered consistently with the merits ruling

Final interpretation of historical section 115J and the incorporated company-law loss/depreciation formula

The lower-of-loss-or-depreciation limitation remains. This is not an unrestricted write-off of all accumulated losses, an ordinary tax carry-forward calculation, or a construction of later sections 115JA or 115JB.

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

05 AKHB REVIEW POINT

Use the correct statutory generation. For this historical section 115J formula, calculate loss after book depreciation, then compare that loss with the relevant depreciation and retain the lower amount. Keep the underlying Companies Act provision and the historical assessment years visible. The detailed accounts in the judgment belong to V.V. Trans-Investments and must not be attributed to Surana merely because Surana leads the report's title.

The bounded official-hosted 2011 compilation confirms section 115J's assessment-year window beginning 1 April 1988 and ending before 1 April 1991. It also shows that the later sections 115JA and 115JB expressly exclude depreciation from "loss" in their respective reduction clauses, with additional nil-amount wording in that compilation. Surana's interpretation cannot simply be copied into those differently worded regimes. Current MAT law, later amendments and any 2025 Act mapping remain unchecked.

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

PROPOSITION-SPECIFIC SOURCE PARAGRAPHS AND PDF PAGES

1.

Topic: Identity, batch scope and V.V. Trans-Investments facts

Source url: [Open cited source](#)

Pdf pages: 1; 3; 4; 5

Paragraphs: Identified source passage

Source role: reported metadata and judicial text

2.

Topic: Historical statutory extracts and legislative purpose

Source url: [Open cited source](#)

Pdf pages: 5; 6; 7; 8; 9

Paragraphs: Unnumbered judicial text

Source role: judicial text

3.

Topic: Incorporation, post-depreciation loss and lower-of-two examples

Source url: [Open cited source](#)

Pdf pages: 9; 10; 11

Paragraphs: Unnumbered judicial text

Source role: judicial text

4.

Topic: All eight matters: actual operative results and footer conflict

Source url: [Open cited source](#)

Pdf pages: 11; 12

Paragraphs: Unnumbered judicial text

Source role: judicial text

5.

Topic: Bounded historical section 115J and later wording comparison

Source url: [Open cited source](#)

Pdf pages: 608; 609; 610; 611; 617

Paragraphs: Identified source passage

Source role: historical statutory text

JUDICIAL AUTHORSHIP AND SEPARATE OPINIONS

R.C. Lahoti, J.

ACT IDENTIFIED IN THE REVIEWED SOURCE

Income-tax Act, 1961

SPECIFIED LATER CHECKS AND THEIR LIMITS

1.

Kind: statutory text comparison

Source url: [Open cited source](#)

Pdf pages: 608; 609; 610; 611; 614; 615; 616; 617; 618

Finding: The 2011 compilation preserves section 115J's limited assessment-year window and company-law incorporation. Its section 115JA and section 115JB reduction clauses instead expressly exclude depreciation from loss; their displayed 2002 substitution footnotes add the nil-amount exclusion retrospectively from their respective commencement dates.

Scope limit: Complete historical section 115J and bounded later-regime passages read, with the decisive clauses visually checked. Not a current MAT computation, exhaustive amendment history, or later judicial-treatment check.

SOURCE & VERIFICATION

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

Identified source rendition: 12 PDF pages; SHA-256

cf723f7401a0b143acd4cadf45b97c436c4084dc60a261c6b48b6d86fc69954. Original bytes preserved.

Complete unnumbered judicial text from physical page 3/SCR 591 through page 12/SCR 600, including all eight matters and the final operative paragraphs; headnotes, examples and reporter footer distinguished.

[Open cited source rendition](#)

The reporter footer on physical page 12 says "Appeal dismissed". It cannot describe the entire batch: the judicial text expressly allows the listed assessee appeals and dismisses only the identified Revenue appeal/SLPs.; The facts and numerical table on page 4 belong expressly to V.V. Trans-Investments. The source does not establish identical facts, years or amounts for every appellant.; The table prints post-depreciation loss of Rs 31,95,762, while the narrative gives an asserted earlier-year loss of Rs 31,94,136. The printed AO figure is Rs 8,51,380; no silent arithmetic correction or fresh tax computation is supplied.; The headnote and judicial discussion include slips referring to section 115J of the Companies Act, including "Companies Act, 1961" on page 11. The extracted provisions and holding identify Income-tax Act 1961 section 115J and Companies Act 1956 section 205.; The report's "30 per cent" describes deemed income as a portion of book profit under historical section 115J, not a 30% tax-rate holding.; The section 256(1) refusal by the Tribunal and section 256(2) refusal by the High Court in Civil Appeal No. 7589 (NT) of 1997 are separately identified in the judicial text; the headnote's compressed description is not substituted for that history.; Historical section 115J Explanation clause (iv) is distinct from the later section 115JA/115JB reduction clause (iii). The 2011 compilation is a bounded comparison, not a current-law certification.

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 separately identified bounded primary-source comparisons were checked; they do not certify current law or any Income-tax Act, 2025 mapping.

IDENTIFIED SOURCE LINKS

[reported judgment - PDF pages: 12](#)

SHA-256: cfd723f7401a0b143acd4cadf45b97c436c4084dc60a261c6b48b6d86fc69954

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

SHA-256: 1ec6e4c38dc1d524d1d40b1fd35d13ac1336c8fc549cef2af1bf723a999c822b

AI DISCLOSURE

AI-assisted research checked against the identified source. Extraction, interpretation or omission errors remain possible. Source review does not mean independent approval by a practising professional. Verify every material statement against the complete original judgment.

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