

Commissioner of Income Tax, Delhi v. Bharat Carbon and Ribbon Mfg. Co. (P) Ltd.

Civil Appeal No. 16688 of 1996

[1999] Supp. 1 SCR 492 | 1999-08-17

Whether a quantified excise demand received in the accounting period relevant to AY 1981-82 was an accrued deductible liability despite the assessee's pending writ challenge and absence of a debit in its books, so that Revenue's requested reference was rightly refused.

256(1) | 256(2) | 43B (separately checked later statutory regime; not applied to AY 1981-82)

Two-judge bench | D.P. Wadhwa, J. | M.B. Shah, J.

Assessment years: 1981-82

AY 1981-82 accrued liability; later actual-payment law is separate

The demand of 21 April 1980 fixed the liability for the AY 1981-82 deduction despite the pending dispute. This is not an unrestricted rule allowing unpaid duty under the later section 43B regime, whose checked historical text includes an actual-payment rule, a return-date proviso and protection against double deduction. The source conflicts on the earlier excise periods; no additional assessment-year relief or excise-writ result is inferred. Comprehensive later treatment and current-law mapping remain unverified.

01 FACTS OF THE CASE

The assessee manufactured carbon paper. Following a 29 October 1979 trade notice reclassifying it from residuary tariff item 68 to coated paper under item 17(2), the excise authority issued a show-cause notice on 11 March 1980 and then a quantified demand dated 21 April 1980 for Rs 92,98,805. The company challenged that levy in Civil Writ Petition No. 634 of 1980 and claimed a deduction. The printed source varies in its list of the earlier excise periods; it consistently identifies the deduction now at issue as AY 1981-82 (physical pages 1-4).

The AO had rejected the AY 1980-81 claim because only a show-cause notice had then issued. For AY 1981-82, he treated the older-period claim and disputed liability as inadmissible under the mercantile system. The Commissioner allowed it, and the Tribunal dismissed Revenue's appeal and section 256(1) application. The High Court refused a section 256(2) reference because the proposed issues were answered by Kedarnath Jute; Revenue appealed (physical pages 3-4).

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

02 DISCUSSION BY THE HON'BLE COURT

The operative demand of 21 April 1980 quantified an enforceable liability in the relevant accounting period. Until set aside or modified, the company remained bound to pay it. A pending challenge and possible non-enforcement did not make the quantified demand tentative or contingent. The Court applied Kedarnath Jute and its discussion of Pope the King Match Factory (physical pages 4–5).

The absence of a debit or acknowledgment in the accounts did not determine the legal deduction. Indian Molasses distinguished an actual existing liability from money merely set aside for a possible future event; the demand here fell on the accrued-liability side of that distinction. On this record the High Court rightly refused to require a reference (physical pages 5–6). The Court did not adjudicate the separate excise-classification writ or apply the subsequently operative section 43B regime to AY 1981-82.

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

03 JUDICIAL DECISION

Revenue's appeal was dismissed with no order as to costs. The High Court's refusal to call for the reference stood, leaving the allowed AY 1981-82 deduction of Rs 92,98,805 undisturbed. No remand, separate ruling on excise classification, or second deduction on eventual payment was awarded (physical pages 4–6).

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

04 OUTCOME / IN WHOSE FAVOUR

In whose favour: Assessee on the historical accrued-liability deduction

Revenue appeal dismissed; section 256(2) reference refusal sustained; no costs

Reasoned final rejection of the attempted reference on the identified accrued statutory liability

The quantified demand, its date and AY 1981-82 govern. A merely proposed liability or reserve is different; this result does not override an applicable actual-payment provision.

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

05 AKHB REVIEW POINT

Distinguish a show-cause proposal from a quantified, legally operative demand, and identify the accounting period in which that obligation became enforceable. A dispute or missing ledger debit alone need not postpone an accrued liability under the historical mercantile-accounting rule. This tax case does not resolve whether the excise reclassification was ultimately valid.

Bounded statutory comparison: section 43B in the Department-hosted 2011 compilation, pages 322–325/printed 1.281–1.284, includes duty within its actual-payment rule, with the stated return-due-date proviso. Footnote 44 records insertion by the Finance Act 1983 with effect from 1 April 1984. Explanation 1 also bars a second deduction on later payment where a covered liability had already been deducted for AY 1983-84 or an earlier year. Thus the AY 1981-82 result cannot be presented as an unrestricted unpaid-duty deduction under later law. Only that compiled historical text was checked; subsequent amendments and decisions remain unverified.

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

PROPOSITION-SPECIFIC SOURCE PARAGRAPHS AND PDF PAGES

1.

Topic: Identity and conflicting editorial excise-year lists

Source url: [Open cited source](#)

Pdf pages: 1; 2

Paragraphs: Unnumbered judicial text

Source role: reported editorial metadata

2.

Topic: Reference questions, trade notice, demand date, amount and year history

Source url: [Open cited source](#)

Pdf pages: 3; 4

Paragraphs: Unnumbered judicial text

Source role: judicial text

3.

Topic: Enforceable liability, pending dispute and absence of account entries

Source url: [Open cited source](#)

Pdf pages: 4; 5

Paragraphs: Unnumbered judicial text

Source role: judicial text

4.

Topic: Actual liability distinction and reference refusal affirmed

Source url: [Open cited source](#)

Pdf pages: 6

Paragraphs: Unnumbered judicial text

Source role: judicial text

5.

Topic: Bounded section 43B comparison including insertion date, payment rule, proviso and no-double-deduction explanation

Source url: [Open cited source](#)

Pdf pages: 322; 323; 324; 325

Paragraphs: Complete section 43B and its footnotes; printed 1.281–1.284, ending before section 43C

Source role: bounded historical statutory text

JUDICIAL AUTHORSHIP AND SEPARATE OPINIONS

M.B. Shah, J.

ACT IDENTIFIED IN THE REVIEWED SOURCE

Income-tax Act, 1961

SOURCE & VERIFICATION

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

Identified source rendition: 6 PDF pages; SHA-256

24c2558f71e165c6fb8ddbb46c6fbffebecb8b709237385025b928d6bf0c2f5b. Original bytes preserved.

Complete unnumbered judicial text physical pages 3–6/SCR 494–497; headnote on pages 1–2 and embedded earlier-case quotations distinguished.

[Open cited source rendition](#)

The adjudicated deduction is AY 1981-82. AY 1980-81 is earlier rejected history, and the underlying excise periods are not additional income-tax appeals decided here.; The headnote lists excise years 1977-78, 1978-79 and 1979-80. The judicial demand narrative on page 4 lists 1976-77, 1978-79 and 1979-80, while counsel's contention describes 1976-77 to 1979-80. Page 2 additionally prints 1978-80. The differences are retained rather than silently repaired.; The amount Rs 1,49,776 on page 5 belongs to the quotation from Kedarnath Jute and is not this assessee's Rs 92,98,805 deduction.; The trade-notice authority is called Collector of Central Excise in the facts and Collector of Customs in the concluding passage; no distinct second notice is inferred.; No general deduction section is numbered in the judicial holding; sections 256(1) and 256(2) supply the procedural setting. Section 43B is separately identified editorial statutory context, not a section applied by this Court for the year.; The 2011 section 43B check is bounded historical context including its proviso and no-double-deduction explanation, not a current-law certification or an outcome for the separate excise writ.

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: 6](#)

SHA-256: 24c2558f71e165c6fb8ddbb46c6fbffebecb8b709237385025b928d6bf0c2f5b

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

SHA-256: 1ec6e4c38dc1d524d1d40b1fd35d13ac1336c8fc549cef2af1bf723a999c822b

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