

K. Ravindranathan Nair v. Commissioner of Income Tax, Ernakulam

Civil Appeal Nos. 4475–4476 of 1998

[2000] Supp. 5 SCR 244 | 2000-11-30

Whether wages paid to settle disputes in closed units were deductible where all units formed one continuing integrated business and that factual finding was not properly challenged.

37 | 256(2)

Three-judge bench | S.P. Bharucha, J. | Doraiswamy Raju, J. | Ruma Pal, J.

Assessment years: 1972-73

One continuing business on unchallenged facts; distinct from later export cases

The payment was deductible because the accepted facts linked the closed units to one continuing business. This is not a rule allowing every independent-business closure cost or barring a properly raised perversity challenge. The High Court's historical reference jurisdiction and two-appeal disposition matter. This is the 2000 labour-settlement judgment, not the later export-turnover case. Current law and comprehensive later treatment remain unverified.

01 FACTS OF THE CASE

The assessee processed cashew nuts in ten units, four in Kerala. Labour trouble led to a lock-out of the Kerala units; two owned units were leased to a company and two rented units were surrendered. A settlement provided five days' wages for each year of service up to the lock-out, producing a payment of Rs 4,18,107 claimed for AY 1972-73 (physical page 3).

The appellate authorities allowed the claim on the Tribunal's finding of one integrated business, but the High Court answered the referred legal question against the assessee. Revenue had sought six questions; it did not pursue the rejected five through section 256(2), and there was no properly referred challenge that the factual finding was perverse (physical pages 3–4).

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

02 DISCUSSION BY THE HON'BLE COURT

The Tribunal had examined common accounts, central financing, procurement, management and control and found the units interlinked and interlaced. The payment addressed labour disputes in one part for the industrial health of the business as a whole. Reducing the operating units did not, on that finding, close a separate business (physical page 4).

In the reference jurisdiction exercised, the High Court had to apply law to those findings unless a proper perversity question was before it. It could not discard the factual foundation merely by asserting that the Tribunal had overlooked material. Given the accepted single-business nexus, the settlement expenditure was deductible under section 37 (physical pages 4–5).

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

03 JUDICIAL DECISION

Both assessee appeals were allowed. The High Court judgment was set aside and the question answered affirmatively for the assessee, without costs. The deduction of Rs 4,18,107 was sustained; no remand was ordered (physical page 5).

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

04 OUTCOME / IN WHOSE FAVOUR

In whose favour: Assessee

Two appeals allowed; question answered for assessee; no costs

Final deduction ruling on the unchallenged integrated-business facts

No blanket allowance for closure of an independent business and no bar on a properly raised legal/perversity challenge to Tribunal findings.

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

05 AKHB REVIEW POINT

Support unity of business with actual accounts, financing, procurement and control, then connect the payment to that continuing business. Closing a unit and closing an independent business are different factual situations. A labour-settlement label alone does not determine deductibility.

On appeal, identify the precise question admitted or referred and whether a factual-perversity challenge was preserved. The historical section 256 reference setting should not be shortened into a universal prohibition on judicial review of Tribunal facts. This 2000 labour-expense decision is distinct from the same taxpayer's later export-turnover litigation.

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

PROPOSITION-SPECIFIC SOURCE PARAGRAPHS AND PDF PAGES

1.

Topic: Identity, appeals, year and settlement

Source url: [Open cited source](#)

Pdf pages: 1; 2; 3

Paragraphs: Unnumbered judicial text

Source role: reported metadata and judicial text

2.

Topic: Question selection and integrated-business findings

Source url: [Open cited source](#)

Pdf pages: 3; 4

Paragraphs: Unnumbered judicial text

Source role: judicial text

3.

Topic: Reference limits, business nexus and final deduction

Source url: [Open cited source](#)

Pdf pages: 4; 5

Paragraphs: Unnumbered judicial text

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: 5 PDF pages; SHA-256

73abaab3c160425dd65ad8f75b9c22b2256af6f421b89d70c8ae1cd4ac1b1fbd. Original bytes preserved.

Complete unnumbered judicial text from physical page 2/SCR 245 through page 5/SCR 248; editorial propositions distinguished.

[Open cited source rendition](#)

The single disputed assessment year is 1972-73, with the source stating a previous-year end of 30 September 1971; the two appeals are not assigned invented different years.; The Tribunal's integrated-business facts are controlling because of the scope of the reference; the Court did not announce that every group of commonly owned factories is one business.; The Court expressly preserves the possibility of a properly referred perversity question; it does not make Tribunal fact findings immune in all circumstances.; Amounts and issues from later same-title export-deduction judgments are not imported into this labour-settlement case.

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: 5](#)

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