

## Sea Pearl Industries and Ors., etc. v. Commissioner of Income Tax, Cochin

Civil Appeal Nos. 5436-5437 of 1998 / Civil Appeal Nos. 239-244 of 1999 (as printed; historical docket relationship unresolved)

[2001] 1 SCR 184 | 2001-01-09

**Was a seafood processor the exporter entitled to the historical section 80HHC deduction when the foreign buyer contracted with an export house, the letter of credit favoured that house, and the processor performed shipment formalities and ultimately received the proceeds by endorsement?**

80HHC(1) | 80HHC(2)(a)

Three judges | S.P. Bharucha, J. | Doraiswamy Raju, J. | Ruma Pal, J.

Assessment years: 1983-84

### Historical section 80HHC; printed docket and date cautions

Sea Pearl concerns the original turnover-based deduction and proceeds receivable by the exporter. Later supporting-manufacturer provisions and foreign-exchange wording differ; Baby Marine's distinct section 80HHC(1A) result is not a reversal of this historical ruling. The 2011 compilation records no deduction under section 80HHC for AY 2005-06 and later years. Comprehensive later treatment, current-law applicability and Income-tax Act, 2025 mapping remain not\_verified. The SCR companion range overlaps Anand Theatres; it is not a verified docket count. The official-hosted JUDIS date conflicts with the retained SCR date.

## 01 FACTS OF THE CASE

The processor directly exported some seafood but was not an eligible export house under the 1982-83 Import and Export Policy. Under an agreement dated 24 August 1982, it arranged shipments in the export house's name against foreign orders placed with that house. The processor was to receive the sale proceeds and an additional 2.25% of FOB value; ownership would pass to the export house only after the goods crossed the customs barrier. The processor would complete export formalities, but shipment would be on the house's account. The agreement allocated Policy benefits to the house and other exporter privileges to the processor (physical 4 G-5 C/SCR 187-188).

In the transaction described, a Californian buyer placed the order with the export house and opened a letter of credit in its favour. The processor shipped the goods and delivered documents for negotiation. The house endorsed the credit to the processor, whose account received the foreign exchange. The processor claimed section 80HHC deduction for AY 1983-84. Revenue rejected it; the Tribunal allowed it using the Customs Act's definition of export and the processor's role at the customs barrier. Kerala High Court answered the reference against the assessee. The report prints a two-number 1998 lead group and a six-number 1999 companion range (physical 4 D-E and 5 D-6 F). The companion range overlaps proceedings reported in Anand Theatres, so those printed slots are not a verified historical docket count; see the case-number caution.

The processor relied on its export applications, inspection certificate, shipping charges, Marine Products Development Authority recognition, GR-1 form, customs drawback and the bill of lading naming both parties. It argued that it was the real exporter despite using the house for REP-licence benefits. Revenue relied on the absence of a contract between the processor and foreign buyer, the house's entitlement under the letter of credit, the declaration naming the house as exporter and the deduction already claimed and allowed to the house. No supporting certificate from the house had been furnished (physical 6 F-7 F/SCR 189-190).

The operative provision reproduced for this claim is turnover-based: a 1% current-year export-turnover deduction and a 5% deduction on the increment over the previous year, subject to the section, including the requirement that export proceeds be receivable by the assessee in convertible foreign exchange. The opinion's broad label prior to its amendment in 1989 does not establish that this original formula remained unchanged throughout the intervening years (physical 5 F-6 B/SCR 188-189).

Source: [reported judgment / paragraphs SCR 187-190: contract, AY, historical provision, route and party submissions / PDF pages 4, 5, 6, 7 / judicial text](#)

## 02 DISCUSSION BY THE HON'BLE COURT

The Court identified two relevant conditions: the assessee must export the goods, and the proceeds must be receivable by it in convertible foreign exchange. Ownership when the goods crossed the barrier did not answer that test. Section 80HHC did not require the exporter to own the goods, nor did the Customs Act definition import ownership. The Central Sales Tax Act's last-sale setting in the authority relied on by the assessee was different and did not control this deduction (physical 7 G-8 C/SCR 190-191).

The incentive was directed to earners of foreign exchange. The initiating contract was between the Californian buyer and the house; the processor's contract with the house was separate. The processor could not demand the foreign buyer's payment if that first contract were breached, and the buyer could not demand reimbursement from the processor if shipment failed. Shipment was expressly on the house's account. The processor had joined the declaration identifying the house as exporter to obtain the agreed benefits, while the house had already obtained the deduction. The Court relied by analogy on MMTC v. R.C. Mishra, where the local supplier could not accept the advantages of routing exports through MMTC and disavow the corresponding exporter position for tax credit (physical 8 C-9 E/SCR 191-192).

The expression receivable did not mean ultimately received. Because the letter of credit was in the export house's favour, that house was entitled to the foreign exchange. Its separate arrangement transferring the proceeds to the processor did not make the processor the exporter for this tax purpose. The conclusion turned on legal entitlement and the contractual structure, not merely whose bank account ultimately received the money (physical 9 F-G/SCR 192).

The Court also rejected duplication of benefits for the same export amount. It discussed the Policy's disclaimer arrangement and the later circular/amendment allowing a supporting manufacturer's claim with an export-house certificate. That context reinforced the distinction between the house's entitlement and a permitted transfer of benefit; it did not convert every manufacturer into an exporter. Although the house may have breached its agreement not to claim benefits from other government departments, a possible private contractual breach could not change the processor's statutory status. The Tribunal's approach would let both parties claim for the same amount at different stages, contrary to the provision (physical 9 G-10 H/SCR 192-193).

Source: [reported judgment / paragraphs SCR 190 G-193 H: actual Court reasoning, receivable test and double-claim limit / PDF pages 7, 8, 9, 10 / judicial text](#)

### 03 JUDICIAL DECISION

The Supreme Court affirmed the High Court and dismissed the appeals with costs. On the narrated contractual facts, the export house was the exporter to whom the foreign exchange was receivable; the processor's shipment formalities, post-barrier title provision and ultimate receipt through endorsement did not establish its own entitlement under the historical section. The final order gives no costs amount or separate companion directions. Its common disposal is described against the printed roster, whose historical docket mapping is unresolved; it is not treated as a disposal of questions retained in Anand Theatres (physical 11/SCR 194 A).

Source: [reported judgment / paragraphs SCR 194 A: High Court affirmed and appeals dismissed with costs / PDF pages 11 / judicial text](#)

### 04 OUTCOME / IN WHOSE FAVOUR

In whose favour: Revenue

Appeals dismissed with costs; High Court affirmed; printed companion roster has an unresolved docket overlap

Substantive exporter-identity and foreign-exchange-entitlement ruling under the historical section 80HHC text

Applies to the historical text and transaction structure actually considered. Does not deny every later supporting-manufacturer deduction, adjudicate contractual compensation, or carry the original receivable test unchanged into amended provisions. The printed companion slots and conflicting JUDIS date are disclosed source anomalies, not certified docket/date corrections.

Source: [reported judgment / paragraphs SCR printed two-group roster and common final disposition; companion mapping not certified / PDF pages 4, 11 / judicial text; bounded reported proceeding crosscheck / paragraphs Separate reported overlap and retained questions; no cross-case disposal inferred / PDF pages 4, 41 / reported metadata and judicial text](#)

## 05 AKHB REVIEW POINT

For a historical file, separate the foreign-sale contract, letter-of-credit entitlement, shipment agency, transfer of title and any valid statutory disclaimer. Mere physical export work or ultimate bank receipt was insufficient on these facts. The agreement's private allocation of benefits could not itself alter the statutory claimant, and the absence of a certificate must not be treated as an independently adjudicated retrospective application of every later supporting-manufacturer rule.

Baby Marine Exports (30 March 2007) directly cites Sea Pearl for section 80HHC's foreign-exchange incentive purpose. It separately addresses the later section 80HHC(1A) supporting-manufacturer route, with a certificate, and treats the 2.25% premium as part of sale consideration. That different regime and issue do not turn Sea Pearl into a universal bar against supporting manufacturers or establish an overruling of its historical exporter-identity ruling (Baby Marine physical 10-12/SCR 637-639).

Version control matters. The official-hosted Finance Act, 1983 section 24 extract corroborates the original 1%/5% formula. The 2011 compilation's footnotes identify the original insertion from 1 April 1983, substitution from 1 April 1986, supporting-manufacturer restructuring from 1 April 1989, and replacement of receivable from 1 April 1991. Its section 80HHC(1B) text also bars deduction for AY 2005-06 and subsequent years. These are bounded historical checks, not a complete legislative chain. Do not apply the old formula or wording as if presently available. Comprehensive later treatment, current-law applicability and Income-tax Act, 2025 mapping remain not\_verified.

Source: [reported judgment / paragraphs Original formula, receivable entitlement and later-framework context / PDF pages 5, 6, 9, 10 / judicial text; bounded later direct treatment / paragraphs Baby Marine: narrated AYs 1992-93 to 1994-95, direct Sea Pearl citation, separate supporting-manufacturer reasoning and disposal / PDF pages 6, 10, 11, 12, 13 / judicial text; historical statutory compilation / paragraphs Section 80HHC and historical footnotes 2,4,12,13; \(1B\) cutoff / PDF pages 468, 469 / historical statutory compilation; official hosted historical statutory text / paragraphs Official hosted Finance Act 1983 section 24, web lines 63-89; historical insertion text only / historical statutory text](#)

## DETAILED DISPOSITION AND CONNECTED GROUPS

### Proceeding outcomes

1.

**Case number:** Civil Appeal Nos. 5436-5437 of 1998

**Outcome:** Lead group expressly identified in both SCR and official-hosted JUDIS rendition; common dismissal with costs. No separate assessment-year allocation or costs amount supplied.

2.

**Case number:** Civil Appeal Nos. 239-244 of 1999 (as printed; historical docket relationship unresolved)

**Outcome:** SCR lists this companion range with the judgment's common dismissal, but individual historical docket mapping is unresolved because 241-244/1999 also occur in Anand Theatres. No separate, certified dismissal entries for those overlapping dockets or adjudication of Anand's retained questions are inferred.

**Costs:** Appeals dismissed with costs; amount and allocation not quantified in the judgment

### ADDITIONAL STATUTORY CONTEXT, NOT SEPARATE HOLDINGS

Actual AY 1983-84 deduction under the original turnover-based section 80HHC. The Court quotes one per cent of current export turnover and five per cent of the increment over the preceding year, with sale proceeds receivable in convertible foreign exchange. Do not substitute later profits-based or received/brought-into-India wording.

### JUDICIAL AUTHORSHIP AND SEPARATE OPINIONS

Ruma Pal, J., for the Court

### ACT IDENTIFIED IN THE REVIEWED SOURCE

Income-tax Act, 1961

### SPECIFIED LATER TREATMENT CHECKS AND THEIR LIMITS

1.

**Case:** Commissioner of Income-Tax, Thiruvananthapuram v. M/s Baby Marine Exports, Kollam

**Decision date:** 2007-03-30

**Relationship:** direct citation for incentive purpose in different statutory regime

**Result:** Physical 10 expressly cites Sea Pearl for the foreign-exchange incentive purpose. Physical 11-12 allows the 2.25% premium as sale consideration under the later section 80HHC(1A) supporting-manufacturer route with certificate. No overruling of Sea Pearl's original exporter-identity holding is asserted.

#### Source pinpoints

1.

**Source url:** [Open cited source](#)

**Pdf pages:** 10; 11; 12; 13

**Paragraphs:** SCR 637-640: citation, separate reasoning and disposal

**Source role:** judicial text

**Limit:** Entire later text read, but used only for the specified direct-treatment proposition; not a comprehensive citator or current-law verification.

### OTHER STATUTORY PROVISIONS AND THEIR SEPARATE SCOPE

Section 280ZC, quoted MMTC analogy only; Customs Act, 1962, sections 2(18) and 75; Central Sales Tax Act, 1956, section 5(3), distinguished statutory setting; Foreign Exchange Regulation Act, 1973, section 18, documentary argument only; Import and Export Policy 1982-83, paragraph 165; contractual clauses 7-10; CBDT circular dated 14 August 1986, printed as 466 in submissions but 446 in later discussion; source discrepancy preserved; Later 1989 supporting-manufacturer framework, used as interpretative context, not the operative AY 1983-84 text

### BOUNDED NON-PDF SOURCES AND READING LIMITS

1.

**Kind:** official hosted historical statutory text

**Title:** Finance Act, 1983, section 24: insertion of section 80HHC

**Url:** [Open cited source](#)

**Filename:** official\_web\_check\_snapshot.json

**Pdf pages:** Not stated in the reviewed record

**File bytes:** Not stated in the reviewed record

**Read bounds:** Official Income Tax Department hosted Finance Act 1983 section 24, web-rendered lines 38-89 read in full; tool also returned a failed circular-page fetch. The section extract corroborates the original turnover percentages and receivable wording. It contains an apparent (2) opener and experts transcription anomaly. Not an original Gazette or full Finance Act reading.

**Provenance:** Successful official web open on 5 October 2026; retained snapshot is the serialized web-tool text, not original HTTP/HTML bytes. No fabricated PDF pagination or source hash.

**Retained snapshot sha256:**

1a18d900c44f4418bf89c33c9ca99cf6fdd5d4d4839c4c250ed0835a0c015811

**Retained snapshot bytes:** 5913

## **SOURCE & VERIFICATION**

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

Identified source rendition: 11 PDF pages; SHA-256

b6f0374fd5477e712355811ed226f8b1703fd5a85b93e640119b6158c4ec538c. Original bytes preserved.

[Open cited source rendition](#)

full primary text read: True; all primary page images reviewed: False; source integrity verified: True; actual statutory scope verified: True; all listed proceedings accounted for: True; comprehensive later treatment verified: False; current law verified: False; mapping 2025 verified: False; independent QA complete: True; parent full prose approval: True

Printed SCR heading, date, bench and proceedings checked against primary material images. Frozen catalogue INSC identifier is not independently authenticated; primary paragraph numbering is absent. The note retains the SCR heading date 9 January 2001; the official-hosted JUDIS text reproduction instead labels 09/01/2000, an unresolved source-metadata discrepancy.

Primary physical 4 prints Civil Appeals 239-244/1999. Anand Theatres physical 4 and 41 independently report 241-244/1999 within a larger group with additional questions retained. The relationship remains unresolved: preserve the printed range, avoid certifying eight distinct dockets, and do not silently replace it with 239-240 or infer this ruling determined Anand's retained questions.; Only AY 1983-84 is narrated. The companion assessment years and separate facts are not supplied. The introductory some-direct-exports fact does not make direct exports the disputed claim.; The Court quotes original 1%/5% turnover deductions while introducing them broadly as prior to amendment in 1989. DOR footnotes identify an intervening substitution from 1 April 1986; no claim is made that the quoted formula governed all pre-1989 years.; Circular number is 466 in the Revenue submission at physical 7 but 446 in the reasoning at physical 10 and editorial material. The DOR physical 468 footnote lists Circular 466 dated 14 August 1986; the conflicting source printing is preserved. A separate official Hindi circular-page fetch failed with a cache miss; its search excerpt is not relied upon as a fresh full circular read.; The MMTC discussion identifies section 280ZC; the embedded quotation prints 290 ZC once. This is not treated as a separate statutory holding or silently repaired in the original.; The foreign-exchange condition is receivable in the operative text, not later received in, or brought into, India wording. The latter is recorded only as a later change.; Later circular and supporting-manufacturer provisions are interpretative context. No stand-alone ruling on their retrospective commencement or on contract damages is supplied.; Baby Marine was fully read but used for limited later treatment, and is already a reviewed note. Its 2007 result concerns a later supporting-manufacturer claim; later textual anomalies in that report are not imported here.; Official-hosted 1983 text has its own apparent subsection-opener and spelling transcription anomalies. DOR includes editorial amendment footnotes. Neither is certified as an original Gazette or a complete current-law chain.; Official-hosted JUDIS 17372 is a six-page text reproduction, not a signed original. It labels the judgment 09/01/2000 rather than the SCR heading's 9 January 2001, lists only the lead group, and ends with a header-only sixth page. Its substantive text/common costs result agrees, but it does not cure the companion or date metadata discrepancies.

AY 1983-84 is expressly stated for the narrated claim at physical 5/SCR 188 D-E. No separate years are supplied for the companion appeals; do not infer their years from later Tribunal cases or the 1989 amendment discussion.

Physical 4/SCR 187 prints 5436-5437/1998, from Kerala High Court's 25 June 1998 judgment in ITR 5/1992 and 191/1991, with 239-244/1999. This is a reported two-group roster containing eight numeric slots, not a certified count of distinct historical dockets. Anand Theatres (12 May 2000), physical 4 and 41/SCR 341 and 378, independently prints appeals 241-244/1999 within a wider group and retains additional questions in that group. The relationship is unresolved; no typographical correction or disposition of Anand's retained questions is inferred. Official-hosted JUDIS 17372 lists only lead 5436-5437/1998 and cannot resolve the companion range. Individual companion facts, years and originating orders are not supplied.

## STATUTORY SCOPE

No Income-tax Act, 2025 crosswalk or automatic carryover. Complete statutory amendment history, commencement, savings and present applicability have not been verified.

## LATER TREATMENT

Source checked 2026-10-05. Only the specific later-source checks recorded here are verified. Comprehensive later treatment, present applicability and 2025 mapping remain not\_verified.

## IDENTIFIED SOURCE LINKS

[reported judgment - PDF pages: 11](#)

SHA-256: b6f0374fd5477e712355811ed226f8b1703fd5a85b93e640119b6158c4ec538c

[bounded later direct treatment - PDF pages: 13](#)

SHA-256: aa9c50ff293cc17459012a79a1b2a4a15fd3d49fcc4ec0c17d5f4d12ff8ce0a3

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

SHA-256: 1ec6e4c38dc1d524d1d40b1fd35d13ac1336c8fc549cef2af1bf723a999c822b

[Finance Act, 1983, section 24: insertion of section 80HHC](#)

[bounded reported proceeding crosscheck - PDF pages: 41](#)

SHA-256: 58b2384e30c0da3b9425d34e4217053fc9c252fce733b347978da8a3b9233cfc

[official hosted text rendition crosscheck - PDF pages: 6](#)

SHA-256: 4739b326c1d439e1182bd7cf1fdb64b2ff4800cc929efe608de5478c6847d5e1

### **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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