

Chief Commissioner of Income Tax, Cochin v. M/s. Kesaria Tea Co. Ltd.

Civil Appeal No. 1581 of 2001

[2002] 2 SCR 571 | 2002-03-19

Whether writing back a disputed purchase-tax provision established cessation of liability in AY 1985-86, before Explanation 1 to section 41(1).

41(1) | 256(1)

Three-judge bench | S. Rajendra Babu, J. | K.G. Balakrishnan, J. | P. Venkatarama Reddi, J.

Assessment years: 1985-86

Pre-1997 write-back decision; later Explanation 1 matters

The purchase-tax liability had not finally ceased on the facts found, and the case expressly predates Explanation 1. The checked later text includes qualifying unilateral write-offs from 1 April 1997, so the historical result is not an unchanged present rule. The report prints both Rs 3,02,758 and Rs 3,20,758 and contains a negation slip; no demand is recomputed. Comprehensive later treatment remains unverified.

01 FACTS OF THE CASE

The assessee wrote back Rs 14,65,997 of earlier purchase-tax provisions after the State's special leave petition in another taxpayer's case was rejected. The AO sought to tax the write-back. CIT(A) excluded portions already dealt with in reassessments but sustained Rs 3,02,758 relating to an earlier provision. The Tribunal deleted that remaining addition and the High Court agreed (physical pages 2–3).

The Tribunal found that the other judgment resolved only one of the relevant export-purchase-tax conditions. The assessee's own purchase-tax dispute continued and was being pursued even in 1993. The Supreme Court considered the remaining income-tax addition, not the full merits of the separate sales-tax proceedings.

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

02 DISCUSSION BY THE HON'BLE COURT

Section 41(1) required an earlier allowance and a later benefit by remission or cessation of the trading liability in the relevant year. On the un rebutted findings, final disposal of a different case had not ended this assessee's liability. Other factual and legal issues remained unresolved (physical page 4).

The unilateral write-back did not, under the then-applicable law, itself extinguish the statutory liability. The Court expressly said the controversy predated Explanation 1. It distinguished T.V. Sundaram Iyengar because its facts and legal provision differed, and applied the reasoning referred to in Sugauli Sugar Works without treating all types of receipts and liabilities as identical (physical page 5).

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

03 JUDICIAL DECISION

Revenue's appeal was dismissed without costs and the High Court's answer affirmed. The deletion of the identified remaining addition was sustained. The judgment did not settle the ongoing purchase-tax litigation or grant relief on every component of the original provision (physical page 5).

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

04 OUTCOME / IN WHOSE FAVOUR

In whose favour: Assessee

Revenue appeal dismissed; no costs

Final on the identified AY 1985-86 section 41(1) addition

Expressly pre-Explanation 1; no unchanged modern rule that a unilateral write-off can never attract section 41(1).

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

05 AKHB REVIEW POINT

Identify the precise liability, the earlier deduction and the event said to have ended it. A favourable decision on one issue in another taxpayer's litigation does not establish that all conditions in this taxpayer's dispute are finally resolved. A book entry and a legal discharge were distinct under the historical text.

The bounded Department-hosted compilation check, physical pages 305–306 and footnote 65, records Explanation 1's inclusion of qualifying unilateral write-offs, inserted by the Finance (No. 2) Act, 1996 from 1 April 1997. Preserve that statutory boundary. Actual refunds of earlier deducted expenditure are also a distinct limb, as separately analysed in Polyflex; this case does not answer that refund question.

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

PROPOSITION-SPECIFIC SOURCE PARAGRAPHS AND PDF PAGES

1.

Topic: Identity, year and referred amount

Source url: [Open cited source](#)

Pdf pages: 1; 2

Paragraphs: Unnumbered judicial text

Source role: reported metadata and judicial text

2.

Topic: Continuing purchase-tax dispute and statutory elements

Source url: [Open cited source](#)

Pdf pages: 3; 4

Paragraphs: Unnumbered judicial text

Source role: judicial text

3.

Topic: Write-back limitation, amount discrepancy and dismissal

Source url: [Open cited source](#)

Pdf pages: 5

Paragraphs: Unnumbered judicial text

Source role: judicial text

4.

Topic: Later unilateral-write-off provision

Source url: [Open cited source](#)

Pdf pages: 305; 306

Paragraphs: Section 41(1), Explanation 1 and footnote 65

Source role: bounded historical statutory text

5.

Topic: Later Polyflex distinction between actual refund and disputed provision

Source url: [Open cited source](#)

Pdf pages: 7

Paragraphs: Unnumbered judicial text

Source role: bounded later judicial text

JUDICIAL AUTHORSHIP AND SEPARATE OPINIONS

P. Venkatarama Reddi, 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

850bb6e265b195d5e7e442e0cd5888e5d38d1acbfd69fa059e33d0899beaa2f. Original bytes preserved.

Complete unnumbered judicial text on physical pages 2–5/SCR 572–575; headnote excluded.

Open cited source rendition

The referred question and principal history use Rs 3,02,758; page 5's recital of Revenue's argument prints Rs 3,20,758. No replacement figure is selected for a demand.; Page 3 says the Tribunal disagreed with an appellate-authority view that there was no cessation, although the preceding history says CIT(A) found cessation. The note follows the clear sequence and operative conclusion while preserving that apparent negation error.; The other assessment years and reassessment components are expressly left outside the necessary discussion. They are not treated as additional Supreme Court appeals or relief.; The source expressly identifies a period before Explanation 1; that limitation is part of the Court's own reasoning, not an optional editorial caveat.

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

SHA-256: 850bb6e265b195d5e7e442e0cd5888e5d38d1acbfd69fa059e33d0899beaa2f

official department hosted historical statutory compilation - PDF pages: 1251

SHA-256: 1ec6e4c38dc1d524d1d40b1fd35d13ac1336c8fc549cef2af1bf723a999c822b

bounded later judicial comparison - PDF pages: 12

SHA-256: 3fd5ba33301fe92de3aad0d5985f8e8451b72a548431c91a9b952aa7fd5204c9

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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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