

Bhuna Coop. Sugar Mills Ltd. v. Commissioner of Income Tax, Rohtak & Anr.

Civil Appeal Nos. 1100–1101 of 2005 / Civil Appeal Nos. 1116–1117 of 2005

[2005] 2 SCR 83 | 2005-02-11

Whether confusion over the lender's identity and failure to address the additional-tax objection required a fresh Tribunal hearing rather than final disallowance of accrued interest and confirmation of additional tax.

43B(d) | 43B(e) (party contention concerning commencement) | 143(1)(a) (printed processing/additional-tax recital)

Two-judge bench | N. Santosh Hegde, J. | S.B. Sinha, J.

Assessment years: 1992-93, 1993-94

Remand only; printed additional-tax references conflict

The Court gave the assessee a fresh opportunity to establish lender facts and contest additional tax. It did not grant the interest deduction or hold the named creditors outside section 43B(d), and it left both cited additional-tax precedents for the Tribunal. The printed references to 143(1)(a) and 141(1)(A) conflict and are not silently replaced with 143(1A). AY 1993–94 amounts are not supplied. Comprehensive later treatment, the eventual remand result, current law and 2025 mapping remain unverified.

01 FACTS OF THE CASE

For AY 1992–93 the cooperative sugar mill returned a loss of Rs 6,95,63,045.72, including a claimed deduction of Rs 1,48,38,263.88 for interest accrued and payable to creditors, debited to profit and loss. It filed a similar loss return for AY 1993–94, without separate figures being supplied in this report. The AO disallowed the interest while processing the returns under section 143(1)(a) and imposed additional tax of Rs 11,62,502. CIT(A) granted relief, but the Tribunal restored the AO's order; the High Court dismissed the ensuing appeals and writ petitions (physical pages 2–3 / SCR 84–85).

The assessee said the Tribunal had wrongly identified its lender as Haryana Financial Corporation and asserted that its loans were instead from IFCI, IDBI, ICICI and Harcoo Bank. It sought an opportunity to prove that the relevant interest did not fall within section 43B(d), raised a commencement argument about clause (e), and complained that its additional-tax challenge had not been addressed. Revenue acknowledged an error in the lender description but argued that the assessee had still not established entitlement to an unpaid-interest deduction (pages 3–4).

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

02 DISCUSSION BY THE HON'BLE COURT

The Court found confusion in the Tribunal's treatment of the loan as one from HFC. Since the assessee claimed to possess material showing that the relevant lenders were outside the institutions covered by section 43B(d), it should be given an opportunity to establish its case. This was a direction to investigate and decide, not a finding that the named institutions were legally outside clause (d) or that all accrued interest was deductible (physical page 4 / SCR 86 E–F).

The Court also found that the Tribunal and the High Court had not considered the assessee's contention on liability for additional tax. That issue likewise required an opportunity for argument. The assessee relied on Hindustan Electro Graphites and Revenue relied on J.K. Synthetics, but the Supreme Court expressly left the applicability of both decisions for the Tribunal to consider on remand (pages 4–5 / SCR 86–87).

The assertion that section 43B(e), introduced with effect from 1 April 1997, did not apply appears in counsel's submission. The Court did not itself decide that argument, classify each actual creditor or resolve the statutory basis and validity of the additional-tax demand (page 3; operative reservation on page 5).

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

03 JUDICIAL DECISION

The appeals succeeded. The Court set aside the Tribunal's appealed orders and the High Court's orders in the appeals and writ petitions, and remanded the matters to Income Tax Appellate Tribunal, Delhi Bench E, New Delhi, or its successor. The printed ending contains no express costs direction. It did not finally allow the deduction, cancel additional tax on the merits or fix a recomputed loss (physical page 5 / SCR 87).

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

04 OUTCOME / IN WHOSE FAVOUR

In whose favour: Assessee for a fresh hearing only

Four appeals allowed; Tribunal and High Court orders set aside; remand to the Tribunal or successor

Actual lender status, interest deductibility and additional-tax liability remain to be determined

No ruling that IFCI, IDBI, ICICI or Harcoo Bank is outside section 43B(d); no final adoption of either cited additional-tax precedent.

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

05 AKHB REVIEW POINT

Match every interest amount with the actual loan instrument, lender identity, applicable statutory category and relevant-year provision before deciding whether payment is required for deduction. A mistaken lender label is material when statutory treatment turns on that identity. The practical outcome here was permission to prove the facts and argue both issues, not a substantive exemption.

Keep the additional-tax ground separate from the interest ground and identify the provision in the actual notice or assessment. This report's references are inconsistent: the processing narrative uses section 143(1)(a), whereas the later discussion prints section 141(1)(A). Do not silently convert those references into a verified ruling under section 143(1A), or treat the remand as having chosen between Hindustan Electro Graphites and J.K. Synthetics.

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

PROPOSITION-SPECIFIC SOURCE PARAGRAPHS AND PDF PAGES

1.

Topic: Identity, both appeal groups and judicial opening

Source url: [Open cited source](#)

Pdf pages: 1; 2

Paragraphs: Cover; jurisdiction; unnumbered opening

Source role: reported metadata and judicial text

2.

Topic: Amounts, assessment years and procedural history

Source url: [Open cited source](#)

Pdf pages: 2; 3

Paragraphs: Unnumbered opening facts; SCR 84 F–H and 85 A–C

Source role: judicial text

3.

Topic: Lender dispute, commencement submission and additional-tax objection

Source url: [Open cited source](#)

Pdf pages: 3; 4

Paragraphs: Unnumbered submissions; SCR 85 D–H and 86 A–D

Source role: judicial text recording party submissions

4.

Topic: Reasons for giving opportunity on both issues

Source url: [Open cited source](#)

Pdf pages: 4

Paragraphs: Unnumbered judicial reasons; SCR 86 E–F

Source role: judicial text

5.

Topic: Competing precedents expressly left for Tribunal**Source url:** [Open cited source](#)**Pdf pages:** 4; 5**Paragraphs:** SCR 86 G–H and 87 A**Source role:** judicial text

6.

Topic: Orders set aside and remand destination**Source url:** [Open cited source](#)**Pdf pages:** 5**Paragraphs:** Closing unnumbered paragraphs; SCR 87 A–B**Source role:** judicial text

JUDICIAL AUTHORSHIP AND SEPARATE OPINIONS

N. Santosh Hegde, 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

bc7263936f62975258fb940c15ab4b00d7528dcec6855acf97f5eaacbeb13230. Original bytes preserved.

Complete unnumbered judicial text on physical pages 2–5 / SCR 84–87, beginning with Santosh Hegde, J. and ending with the appeals succeeding and remand. Editorial headnote on pages 1–2 excluded. All five primary PDF pages visually checked. No adjacent judgment.

[Open cited source rendition](#)

The printed judicial text also refers repeatedly to section 141(1)(A) in discussing additional tax. This source-reference conflict is preserved and not silently replaced with section 143(1A). The latter's applicability would require separate verification of the original demand, governing legislation and proceedings.

The discrepancy between section 143(1)(a) on SCR 85 and section 141(1)(A) on SCR 85–86 is visible in the source images, not merely OCR. It is not silently normalised to section 143(1A).; The loan-institution list and the assertion of deductibility are the assessee's submissions; Revenue disputed their legal sufficiency and the Court remanded without deciding classification.; The Court's wording calls HFC a Bank contemplated under section 43B(d). This description is reported as part of the confusion prompting remand, not certified as a statutory classification.; The stated loss and accrued-interest amounts relate to the expressly described AY 1992–93 return. No separate AY 1993–94 figures or year-by-year allocation of the additional tax is inferred.; The references to Hindustan Electro Graphites and J.K. Synthetics identify opposing authorities cited; the Court expressly declined to rule on their applicability.; The formal judgment sets aside the impugned Tribunal and High Court orders and remands. It does not reinstate CIT(A)'s relief as a final substantive determination.

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. Any expressly labelled bounded comparison is limited to its identified text and is not a current-law or Income-tax Act, 2025 certification.

IDENTIFIED SOURCE LINKS

[reported judgment - PDF pages: 5](#)

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