

P.R. Prabhakar v. Commissioner of Income Tax, Coimbatore

Civil Appeal No. 877 of 2006

[2006] Supp. 3 SCR 645 | 2006-07-18

Whether export-procurement commission entered business profits for AY 1990-91 section 80HHC computation, and whether the 1991 amendment effective from 1 April 1992 could be treated as retrospective.

80HHC

Two-judge bench | S.B. Sinha, J. | Dalveer Bhandari, J.

Assessment years: 1990-91

AY 1990-91 rule; later amendment not applied retrospectively

The Court included export-related commission in the pre-amendment computation and rejected retrospective use of the relevant 1991 change effective from AY 1992-93. It did not grant a universal post-amendment commission exemption or a deduction despite every aggregate loss. No fresh numerical deduction is supplied. The source's malformed commission figure and later-worded statutory extract are flagged; current law and comprehensive later treatment remain unverified.

01 FACTS OF THE CASE

The assessee exported its own products and procured export contracts for others on commission. In AY 1990-91, its own goods-export activity showed a Rs 6,372 loss, while it earned commission income. The AO and CIT(A) denied the claim on the basis of the export loss; the Tribunal treated the commission as part of the profits relevant to deduction (official page 1).

The High Court disagreed. It treated the Finance (No. 2) Act, 1991 amendment effective from 1 April 1992 as clarificatory and therefore applicable retrospectively. The assessee challenged that treatment and relied on the Board's explanation of the amendment.

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

02 DISCUSSION BY THE HON'BLE COURT

The Court examined CBDT Circular 621 dated 19 December 1991. Its explanation expressly made the relevant change applicable from AY 1992-93, whereas another part of the same circular expressly identified a different retrospective amendment. The relevant 1991 change could not be projected back into AY 1990-91. The circular explained the legislation; it was not itself the instrument that amended the Act (official pages 2–4).

The Court accepted the Tribunal's reasoning in International Research Park Laboratories that commission connected with export procurement could be business profit relating to exports even though commission was not export turnover. It applied that reasoning to the pre-amendment year and rejected the High Court's contrary approach. The discussion of IPCA Laboratory and Induflex preserved the need to consider the statutory combined profit/loss computation; it did not create a universal right to deduct despite negative aggregate eligible profits (official pages 3–5).

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

03 JUDICIAL DECISION

The assessee's appeal was allowed, the High Court judgment was set aside, and each party was directed to bear its own costs. The Court agreed with the Tribunal's legal approach for the year; it did not prescribe a fresh quantified deduction or order a new assessment remand (official page 5).

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

04 OUTCOME / IN WHOSE FAVOUR

In whose favour: Assessee

Appeal allowed; High Court judgment set aside; parties bear own costs

Final decision on commission inclusion and amendment timing for the identified pre-amendment year

No unqualified post-1991 commission exemption, automatic deduction despite aggregate loss, or newly computed deduction amount.

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

05 AKHB REVIEW POINT

Date the statutory formula before applying an export-deduction precedent. A component may be business profit without being turnover, and later exclusions cannot be assumed to govern an earlier year merely because they refine the computation. Preserve the distinction between Parliament's amendment and the circular explaining its commencement.

This is an AY 1990-91 decision. Do not transplant its result to a post-amendment year or replace the required profit computation with the isolated own-export loss. The source's later-worded statutory extract and malformed commission amount are not a basis for a present-day calculator or invented deduction.

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

PROPOSITION-SPECIFIC SOURCE PARAGRAPHS AND PDF PAGES

1.

Topic: Identity, AY, facts and High Court approach

Source url: [Open cited source](#)

Pdf pages: 1

Paragraphs: Unnumbered judicial text

Source role: official identity and judicial text

2.

Topic: Statutory and circular discussion

Source url: [Open cited source](#)

Pdf pages: 2; 3

Paragraphs: Unnumbered judicial text

Source role: judicial text

3.

Topic: Commencement, circular contrast and profit/loss authorities

Source url: [Open cited source](#)

Pdf pages: 3; 4

Paragraphs: Unnumbered judicial text

Source role: judicial text

4.

Topic: Attributed Tribunal reasoning; agreement and relief

Source url: [Open cited source](#)

Pdf pages: 4; 5

Paragraphs: Unnumbered judicial text

Source role: judicial text

5.

Topic: Reported identity, judicial start and disposition

Source url: [Open cited source](#)

PDF pages: 1; 3; 10

Paragraphs: Unnumbered judicial text

Source role: reported metadata and judicial text

JUDICIAL AUTHORSHIP AND SEPARATE OPINIONS

S.B. Sinha, J.

ACT IDENTIFIED IN THE REVIEWED SOURCE

Income-tax Act, 1961

SOURCE & VERIFICATION

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

Identified source rendition: 5 PDF pages; SHA-256

96bcffe6bbd7283dcb7afa02c6e4223a3eff018577c4e21d02609deb587bec4f. Original bytes preserved.

Complete official legacy judgment, all physical pages; identity and ending visually checked.

[Open cited source rendition](#)

The commission amount is printed as Rs.56,69321/- in both the official and reported texts. It is omitted from the narrative rather than silently reformatted into a certified figure.; The reported headnote's suggestion of amendments by a CBDT circular is not adopted: the relevant amendment was legislative and the circular explained it.; The reproduced section contains later-worded features, including subsection (1B), and is not certified as the verbatim statute for AY 1990-91.; The 10% discussion explains the historical later exclusion mechanism; it is not a fresh flat deduction awarded in this appeal.; The Tribunal quotation is expressly attributed; Revenue's non-appeal in that other matter is not presented as an independent universal bar on litigation.

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

[official original judgment - PDF pages: 5](#)

SHA-256: 96bcffe6bbd7283dcb7afa02c6e4223a3eff018577c4e21d02609deb587bec4f

[reported judgment - PDF pages: 10](#)

SHA-256: e5655d01555bc9e350275f66b361c5fc2ce199ed9211d76662bb04150fd5ded1

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