

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

Civil Appeal No. 6146 of 2005 / Civil Appeal Nos. 281-284 of 2006 / Civil Appeal No. 286 of 2006

[2007] 4 SCR 628 | 2007-03-30

Whether the contractual export-house premium formed part of the supporting manufacturer's business profits for its section 80HHC deduction.

80HHC(1A) | 80HHC(2A) | 80HHC(1) | 80HHC(4A) | 80HHC Explanation (baa)

Two-judge bench | Ashok Bhan, J. | Dalveer Bhandari, J.

Assessment years: 1992-93, 1993-94, 1994-95

Sale-price premium holding and later qualifications

Baby Marine concerns the identified contractual sale-price premium. Carpet India (2019) distinguishes it and overrules a different decision in CA 6437/2012; Ramnath (2020) rejects the generalised liberal-interpretation observations while identifying the plain-construction basis of the result. The checked passages do not overrule the sale-price-premium result. Comprehensive later treatment remains unverified.

[paragraphs 4-8; specifically paragraph 6 distinguishes Baby Marine and overrules the different CA 6437/2012 / PDF pages 8, 9, 10, 11 / judicial text](#); [paragraphs 16-16.3; 18-21 / PDF pages 49, 50, 51, 57, 58 / judicial text](#)

01 FACTS OF THE CASE

Baby Marine sold marine products domestically and exported both directly and through export houses. Under the relevant contracts, the supporting manufacturer received the full FOB value plus a premium of 2.25% of FOB value net of overseas commission. It treated that premium as sale consideration. The officer treated it as commission or service charges; the Commissioner (Appeals) sustained the 90% exclusion from business profits, while separately correcting the treatment of indirect export turnover. The Tribunal allowed inclusion of the premium and the High Court upheld that conclusion. The Revenue appealed (printed SCR pp. 629-635).

Source: [reported judgment / paragraphs Unnumbered facts, procedural history and parties' submissions; SCR pp. 629-635 / PDF pages 2, 3, 4, 5, 6, 7, 8 / judicial text](#)

02 DISCUSSION BY THE HON'BLE COURT

The Court distinguished the supporting manufacturer's section 80HHC(1A) claim, arising from sales to an export house, from the export house's section 80HHC(1) claim. The respondent satisfied the definition of supporting manufacturer, and the export house had issued the requisite certificate. On the contract and the Tribunal's accepted findings, the 2.25% premium was an integral part of the sale price rather than commission or brokerage for a separate service (pp. 637-639).

Payment in Indian currency did not defeat this supporting-manufacturer claim: the Court relied on section 80HHC(2A) for the inapplicability of the foreign-exchange-realisation requirement to that claim. The contractual premium arose from the assessee's sale operations and was includible in business profits. Although the Court also referred to the incentive objective and liberal interpretation, its operative reasoning expressly rested on the plain construction of section 80HHC(1A) and the established character of this payment (pp. 637-639).

Source: [reported judgment / paragraphs Statutory reproduction and Court's reasoning; SCR pp. 636-639 / PDF pages 9, 10, 11, 12 / judicial text](#)

03 JUDICIAL DECISION

The Revenue's lead appeal was dismissed. The companion appeals were disposed of in the same terms, with all parties bearing their respective costs. Inclusion of this contractual sale-price premium was upheld (pp. 639-640).

Source: [reported judgment / paragraphs Closing merits paragraph and companion disposition; SCR pp. 639-640 / PDF pages 12, 13 / judicial text](#)

04 OUTCOME / IN WHOSE FAVOUR

In whose favour: Assessee supporting manufacturers

Lead Revenue appeal dismissed; companion appeals disposed of in its terms; parties to bear their respective costs

Final inclusion of the identified contractual premium in business profits for the supporting-manufacturer deduction

No general parity between supporting manufacturers and direct exporters for statutory DEPB/duty-drawback incentives; no entitlement merely because a receipt is described as an incentive; no independently quantified deduction.

Source: [reported judgment / paragraphs Closing disposition and costs / PDF pages 12, 13 / judicial text](#)

05 AKHB REVIEW POINT

Examine the actual sale agreement, certificate and commercial character of the payment. The success here rested on a premium that formed part of the consideration payable for the manufacturer's own goods, rather than remuneration for a separate service. Do not equate that premium with every government export incentive.

Carpet India (2019) expressly distinguished Baby Marine on that basis and overruled the separate 12 September 2012 decision in Civil Appeal No. 6437 of 2012. Ramnath (2020) separately said Baby Marine's result followed plain construction, while rejecting its generalised liberal-interpretation observations as a sound statement of the eligibility rule. Neither checked passage declares Baby Marine's sale-price-premium result overruled.

Source: [reported judgment / paragraphs Plain construction and sale-price character; SCR pp. 638-639 / PDF pages 11, 12 / judicial text; official signed judgment / paragraphs 4-8; specifically paragraph 6 distinguishes Baby Marine and overrules the different CA 6437/2012 / PDF pages 8, 9, 10, 11 / judicial text; reported judgment / paragraphs 16-16.3; 18-21 / PDF pages 49, 50, 51, 57, 58 / judicial text](#)

ADDITIONAL STATUTORY CONTEXT, NOT SEPARATE HOLDINGS

80HHC(1B): extent of the deduction in the statutory text reproduced; 28(iia)-(iic): Revenue's classification argument; CBDT Circular No. 621 dated 19 December 1991: cited in counsel's submissions, not an independent new ruling on every receipt; Income-tax Act, 1922, section 15-C: Bajaj Tempo analogy only

JUDICIAL AUTHORSHIP AND SEPARATE OPINIONS

Dalveer Bhandari, J.

ACT IDENTIFIED IN THE REVIEWED SOURCE

Income-tax Act, 1961

VERIFIED RELATIONSHIPS BETWEEN SPECIFIED JUDGMENTS

1.

Earlier case id: sc-2007-03-30-baby-marine-exports

Later case id: sc-2019-08-27-carpet-india

Relationship: distinguished, not overruled

Finding: Baby Marine concerned the sale-price premium. Carpet India denied general parity for incentive deductions and overruled the separate CA 6437/2012 decision of 12 September 2012. That decision's party name varies within Carpet India; the exact appeal/date identifies it.

Evidence

1.

Source url: [Open cited source](#)

Pdf pages: 8; 9; 10; 11

Paragraphs: 4-8; specifically paragraph 6 distinguishes Baby Marine and overrules the different CA 6437/2012

Source role: judicial text

2.

Earlier case id: sc-2007-03-30-baby-marine-exports

Later case id: sc-2020-06-05-ramnath

Relationship: plain-construction result distinguished from qualified general interpretative observations

Finding: Ramnath explains that Baby Marine's result rested on plain construction; it rejects the generalised liberal-interpretation observations for eligibility, in light of Dilip Kumar, while distinguishing post-eligibility formal or directory requirements.

Evidence

1.

Source url: [Open cited source](#)

Pdf pages: 49; 50; 51; 57; 58

Paragraphs: 16-16.3; 18-21

Source role: judicial text

SOURCE & VERIFICATION

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

Identified source rendition: 13 PDF pages; SHA-256

aa9c50ff293cc17459012a79a1b2a4a15fd3d49fcc4ec0c17d5f4d12ff8ce0a3. Original bytes preserved.

Cover/headnote and jurisdiction on physical page 1; appearances and judgment start on page 2; complete unnumbered judicial text through page 13, printed SCR pages 629-640. No adjacent judgment.

[Open cited source rendition](#)

The judgment describes the years involved as 1992-93 to 1994-95 (physical page 6), without allocating each year to a separate appeal.

Primary source is the preserved reported rendition, not a separately retrieved signed original.; This rendition does not print paragraph numbers in the judicial text; other judgments quote it with differing paragraph identifiers. Physical-PDF and printed-SCR page pins are used.; Counsel's request concerning KRN Marine Exports and reliance on Bangalore Clothing/Board Circular are not promoted into an express overruling or universal holding by this Court.; The contract is between the assessee and export house; an apparent party-description slip in the concluding text is not replicated as a Revenue-assessee contract.

STATUTORY SCOPE

Historical provisions and assessment years only; no automatic mapping to the Income-tax Act, 2025.

LATER TREATMENT

Source checked 2026-10-04. No comprehensive later-treatment or current-law audit. Any particular relationship checked from a later judgment is identified separately.

IDENTIFIED SOURCE LINKS

[reported judgment - PDF pages: 13](#)

SHA-256: aa9c50ff293cc17459012a79a1b2a4a15fd3d49fcc4ec0c17d5f4d12ff8ce0a3

[official signed judgment - PDF pages: 11](#)

SHA-256: 8e8372a68b2b0963e96c29a9e501e55e582eae1a97e941214a4080f093965258

[reported judgment - PDF pages: 82](#)

SHA-256: ea415de3b0da9ced6a165731f5789545932da15e307111f80b72f0e1f96c8cd7

[Related note: Commissioner of Income Tax, Karnal \(Haryana\) v. M/s Carpet India, Panipat \(Haryana\)](#)

[Related note: Ramnath & Co. v. The Commissioner of Income Tax \(with M/s Laxmi Agencies\)](#)

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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