

Commissioner of Income Tax, Coimbatore v. M/s. Lakshmi Machine Works

Civil Appeal No. 4409 of 2005 and connected proceedings (full list below)

[2007] 5 SCR 622 | 2007-04-25

Are excise duty and sales tax included in total turnover, the denominator of the historical section 80HHC(3) export-profit formula?

80HHC(1) | 80HHC(3) | 80HHC Explanation (b), (ba) and (baa)

Two-judge bench | S.H. Kapadia, J. | B. Sudershan Reddy, J.

Assessment years: 1993-94

Historical turnover denominator; preserve the receipt distinction

Excise duty and sales tax were excluded for the material section 80HHC formula, with an express limitation in paragraph 19. Quoted example accounts are not the assessee's accounts. Earned processing charges were treated differently in the checked Nair comparison. No general turnover rule, current-law status or comprehensive later treatment is certified.

01 FACTS OF THE CASE

In the lead AY 1993-94 case, Lakshmi Machine Works declared taxable income of Rs.50.80 lakh and calculated section 80HHC without excise duty and sales tax in total turnover. After an initial section 143(1)(a) intimation, the Assessing Officer examined the computational issue during scrutiny under section 143(2), treated the statutory exclusions as exhaustive and included the two taxes. CIT(A) excluded the separately shown liabilities to Government, and the Tribunal rejected Revenue's appeal following Sudarshan Chemicals. Revenue's Supreme Court batch raised the common turnover question (paragraphs 1-6; jurisdiction line).

The later X Ltd. chemical-exporter accounts and rupee computations are a quoted Ready Reckoner example used to explain the formula, not Lakshmi's actual accounts or the companion appeals' adjudicated amounts (paragraph 14).

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

02 DISCUSSION BY THE HON'BLE COURT

The Court read total turnover within the complete section 80HHC mechanism, alongside business profits and export turnover. It explained the historical distinction between manufactured exports, trading exports, mixed operations and supporting manufacturers, and reproduced the relevant statute and Form 10CCAC. The computational role of the fraction was to isolate profits attributable to export activity from the combined business (paragraphs 6-16).

Revenue argued for a literal inclusion of the taxes because freight and insurance were expressly excluded and because sales-tax collections could be trading receipts. The Court rejected using ordinary gross-receipt labels, sales-tax definitions or accounting definitions without regard to this particular export-deduction formula. Taxability of a receipt in another setting did not determine whether it supplied a turnover element in the formula (paragraphs 17-18).

Excise duty and sales tax were indirect taxes recovered on behalf of Government and did not carry the turnover element relevant to the formula. Including them would distort the denominator and render the export-profit apportionment unworkable. The surrounding discussion of commission, interest and rent illustrated why an entry in the profit-and-loss account alone did not settle the statutory computation; it was not an unrestricted exclusion of every business receipt (paragraph 18).

The Court expressly confined its reasoning to workability of section 80HHC(3) as it stood at the material time, recognising the formula's combination of actual and statutory profits (paragraph 19).

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

03 JUDICIAL DECISION

Revenue's appeals were dismissed without costs. Excise duty and sales tax were excluded from total turnover for the historical section 80HHC(3) formula under consideration. No remand or final taxpayer-specific deduction amount was ordered (paragraphs 18-20).

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

04 OUTCOME / IN WHOSE FAVOUR

In whose favour: Assesseees

Revenue appeals dismissed without costs

Final on exclusion of excise duty and sales tax from the material section 80HHC total-turnover denominator

The Court expressly limits its reasoning to the historical formula. The result does not itself fix turnover under every other statute, decide every service receipt or supply a universal gross-versus-net rule.

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

05 AKHB REVIEW POINT

Classify each disputed item and each variable separately. Inclusion in trading receipts or book profits is not conclusive of total turnover for this historical export deduction. Retain the year-specific definitions and incentive adjustments, and do not transplant the embedded Ready Reckoner calculation into a taxpayer's assessment.

The later 2007 Ravindranathan Nair judgment, fully read in this batch, distinguished Government tax collections from the assessee's earned processing charges. It included the latter in total turnover while separately applying Explanation (baa), and dismissed a distinct Revenue appeal under Lakshmi Machine Works. Those different receipt types and appeal units prevent a blanket all-business-receipts or all-non-export-receipts proposition. Comprehensive later treatment and present-law/2025-Act mapping remain unverified.

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

APPEAL AND PROCEEDING NUMBERS

Civil Appeal No. 4409 of 2005 / Civil Appeal No. 4411 of 2005 / Civil Appeal No. 5370 of 2005 / Civil Appeal No. 5372 of 2005 / Civil Appeal No. 5939 of 2005 / Civil Appeal No. 6145 of 2005 / Civil Appeal No. 3037 of 2006 / Civil Appeal No. 2596 of 2006 / Civil Appeal No. 917 of 2006 / Civil Appeal No. 919 of 2006 / Civil Appeal No. 920 of 2006 / Civil Appeal No. 1494 of 2006 / Civil Appeal No. 1495 of 2006 / Civil Appeal No. 3389 of 2006 / Civil Appeal No. 4572 of 2006 / Civil Appeal No. 5157 of 2006 / Civil Appeal No. 3616 of 2006 / Civil Appeal No. 3911 of 2006 / Civil Appeal No. 3913 of 2006 / Civil Appeal No. 3615 of 2006 / Civil Appeal No. 3169 of 2006 / Civil Appeal No. 4738 of 2006 / Civil Appeal No. 5688 of 2006 / Civil Appeal No. 2907 of 2006 / Civil Appeal No. 3496 of 2006 / Civil Appeal No. 5860 of 2006 / Civil Appeal No. 165 of 2007 / Civil Appeal No. 683 of 2007 / Civil Appeal No. 431 of 2007 / Civil Appeal No. 991 of 2007 / Civil Appeal No. 248 of 2007 / Civil Appeal No. 1162 of 2007 / Civil Appeal No. 163 of 2007 / Civil Appeal No. 1636 of 2007 / Civil Appeal No. 1637 of 2007 / Civil Appeal No. 1529 of 2007 / Civil Appeal No. 1530 of 2007 / Civil Appeal No. 1532 of 2007 / Civil Appeal No. 1533 of 2007 / Civil Appeal No. 1266 of 2007 / Civil Appeal No. 1536 of 2007 / Civil Appeal No. 2145 of 2007 / Civil Appeal No. 2146 of 2007 / Civil Appeal No. 2147 of 2007 / Civil Appeal No. 2148 of 2007 / Civil Appeal No. 2149 of 2007 / Civil Appeal No. 2150 of 2007

PROPOSITION-SPECIFIC SOURCE PARAGRAPHS AND PDF PAGES

1.

Topic: Identity, all appeals and lead AY

Source url: [Open cited source](#)

Pdf pages: 1; 7; 8

Paragraphs: Cover; jurisdiction; 1-5

Source role: reported metadata and judicial text

2.

Topic: Statute and historical variables

Source url: [Open cited source](#)

Pdf pages: 9; 10; 11; 12; 13; 14; 15; 16; 17; 18; 19

Paragraphs: 6-13; quoted Form 10CCAC

Source role: judicial text with embedded statutory form

3.

Topic: Quoted example accounts and calculations

Source url: [Open cited source](#)

Pdf pages: 19; 20; 21; 22; 23

Paragraphs: 14

Source role: judicial text with embedded reference example

4.

Topic: Submissions distinguished from holding

Source url: [Open cited source](#)

Pdf pages: 23; 24; 25; 26; 27; 28

Paragraphs: 15-18

Source role: judicial text

5.

Topic: Express limitation and disposal

Source url: [Open cited source](#)

Pdf pages: 28

Paragraphs: 19-20

Source role: judicial text

6.

Topic: Later processing-charge distinction

Source url: [Open cited source](#)

Pdf pages: 16; 17; 18; 19

Paragraphs: Nair 18-24

Source role: bounded later judicial comparison

7.

Topic: Separate Revenue appeal dismissed under Lakshmi

Source url: [Open cited source](#)

Pdf pages: 21

Paragraphs: Nair 35

Source role: bounded later judicial comparison

ADDITIONAL STATUTORY CONTEXT, NOT SEPARATE HOLDINGS

80hhc: Historical export-profit formula for the material year; Court expressly confines its reasoning in paragraph 19

28(iia)-(iic): Historical export-incentive components explained as context

Rule 18bba(3) / form 10ccac: Quoted reporting form and annexures used to explain the formula; no independent relaxation of statutory evidence requirements

JUDICIAL AUTHORSHIP AND SEPARATE OPINIONS

S.H. Kapadia, J.

ACT IDENTIFIED IN THE REVIEWED SOURCE

Income-tax Act, 1961

SOURCE & VERIFICATION

Hon'ble Supreme Court source PDF (reported judgment)

Identified source rendition: 28 PDF pages; SHA-256

c35e2b66a447d4ae21ac39543a9c5cb205703ce4d1bd456870bfb34f7c5c259. Original bytes preserved.

Judicial paragraphs 1-20 on physical PDF pages 7-28 (SCR 628-649), fully read, including quoted Form 10CCAC, blank reporting table and the embedded Taxmann illustration. Pages 1-6 and opening of 7 are editorial/report material. No adjacent judgment.

Open cited source rendition

AY 1993-94 is stated for lead CA 4409/2005; the judgment does not map a separate assessment year or computation to each companion.

All 47 civil appeals printed on physical page 7 were transcribed from the source image; the lead facts and AY are not separately verified facts for every companion.; Physical pages 15-18 quote Form 10CCAC and its blank annexure table; pages 19-23 quote the Taxmann Ready Reckoner. These are embedded explanatory material, not independent reviewed source publications or actual taxpayer accounts.; The source's formulas and historical discussion require reading together with the statute and paragraph 19's limitation; stray OCR such as w for a division sign is not adopted as an operator.; The final judicial paragraph dismisses these appeals in the plural although the report-end label says Appeal dismissed.; Ravindranathan Nair distinguishes earned job-work processing charges; Lakshmi's tax-collection outcome is not a universal rule for all receipts or all statutes.

STATUTORY SCOPE

Current statutory equivalence and 2025 Act applicability have not been verified.

LATER TREATMENT

Source checked 2026-10-04. No comprehensive subsequent judicial or statutory audit. Only the expressly identified, actually read bounded comparisons are recorded; no current-law or Income-tax Act, 2025 certification.

IDENTIFIED SOURCE LINKS

reported judgment - PDF pages: 28

SHA-256: c35e2b66a447d4ae21ac39543a9c5cb205703ce4d1bd456870bfb34f7c5c259

bounded comparison judgment - PDF pages: 21

SHA-256: 0bb5f24c0b1e561263d684774755d8efd0674d3aa3ea749643efd25c4d3a8d04

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