

Commissioner, Income Tax, Thiruvananthapuram v. K. Ravindranathan Nair

Civil Appeal Nos. 5173, 5174, 5175 and 5181 of 2007 (processing group) and connected proceedings (full list below)
[2007] 11 SCR 1097 | 2007-11-13

In the processing-charge appeals, must third-party cashew job-work receipts enter total turnover while also receiving Explanation-(baa) treatment; in separate appeals, how are manufacturing-export profits and trading-export losses combined?

80HHC(1) | 80HHC(3)(a)-(c) | 80HHC Explanation (ba) and (baa)

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

Assessment years: 1993-94

Separate appeal units and later gross/net clarification

Processing receipts entered total turnover, while separate loss and mixed-issue appeals were remitted and CA 3167/2006 was dismissed for the assessee. Do not combine these outcomes. ACG later expressly said Nair did not decide gross versus net. The source has bleed-through and inconsistent appeal-year recitals, all disclosed. Current law and comprehensive later treatment remain unverified.

01 FACTS OF THE CASE

For the lead AY 1993-94 case, the assessee processed and exported his own cashews and also used his factory to process third parties' cashews on a job-work basis. He included processing receipts of Rs.1,54,68,811 in business profits reported at Rs.1,94,08,220, but omitted those receipts from total turnover. Revenue challenged the Tribunal and High Court acceptance of that omission (paragraphs 2-8 and 12-14).

The report then disposes of a separate group about manufacturing/trading export profits and losses, a mixed-issue appeal arising from SLP(C) 12609/2004, and CA 3167/2006. Those units have different grounds and orders; the lead factory facts and amounts are not treated as facts of every appeal (paragraphs 25-35).

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

02 DISCUSSION BY THE HON'BLE COURT

For the processing issue the Court treated the version of section 80HHC applicable to AY 1993-94 as decisive. The formula required business profits, export turnover, total turnover and the Explanation-(baa) reduction to be considered together. Third-party processing charges were earned independent income forming part of the business receipts/profits; the relevant 90% reduction had to be made in determining statutory business profits, while the processing receipts also entered total turnover (paragraphs 15-22).

The assessee could not obtain their exclusion from the denominator merely by saying the job work lacked a nexus with his own exports. Lakshmi Machine Works was distinguished: Government tax collections and the assessee's earned processing receipts were different categories. The Court required attention to the nature and statutory place of a receipt rather than equating every receipt, income or export turnover (paragraphs 20-23). This does not convert the earlier excise/sales-tax decision into an inclusion rule for all business income.

For the negative-profit group, the Court applied the quoted A.M. Moosa rule: both manufacturing and trading export results must be taken into account. A positive combined result permits deduction subject to the provision; a loss does not. The mixed-issue appeal was governed by both rulings. CA 3167/2006 was separately dismissed under Lakshmi Machine Works without further factual reasons (paragraphs 25-35).

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

03 JUDICIAL DECISION

Processing appeals 5173, 5174, 5175 and 5181/2007: High Court and Tribunal judgments set aside; Revenue appeals allowed, without costs (paragraph 24). Negative-profit appeals 5178 and 5179/2007 and the appeal printed as 3687/2005 in that heading: High Court judgments set aside and matters remitted to the Assessing Officer for fresh disposal under A.M. Moosa, without costs (paragraph 28). The mixed-issue appeal arising from SLP(C) 12609/2004 was allowed for Revenue and remitted to the Assessing Officer on both points, without costs (paragraph 34). Revenue's CA 3167/2006 was dismissed under Lakshmi Machine Works, without costs (paragraph 35). No final deduction quantum was awarded.

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

04 OUTCOME / IN WHOSE FAVOUR

In whose favour: Revenue on processing and negative-profit/mixed-issue groups; assessee in CA 3167/2006

Processing orders set aside and Revenue appeals allowed; negative-profit and mixed-issue matters expressly remitted to the AO; CA 3167/2006 dismissed; no costs

Legal computation rules settled for the historical issues; factual recomputation expressly left to the AO in the remitted units

Four operative units must remain distinct. The processing holding does not decide gross-versus-net deduction under Explanation (baa), and paragraph 24 must not be rewritten as an express remand or paragraph 35 as a Revenue victory.

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

05 AKHB REVIEW POINT

Keep the denominator and statutory business-profit adjustment separate, and retain the exact historical provision. Do not infer that every receipt appearing in business profits must enter turnover; Nair itself distinguishes tax collections. Likewise, do not treat a loss adjustment within the specified export computation as a new general rule for all inter-head set-offs.

The bounded ACG comparison is material: paragraphs 8-15 explain net receipts actually included in computed business profits and expressly say Nair did not decide gross versus net. The bounded Punjab Stainless comparison addresses manufacturing scrap, distinguishes a scrap dealer, and mentions Nair in the assessee's submissions. It does not expressly overrule Nair or supply a separate Explanation-(baa) scrap ruling. These are specific checked comparisons only, not comprehensive later treatment. No current-law or 2025-Act mapping is certified.

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

APPEAL AND PROCEEDING NUMBERS

Civil Appeal Nos. 5173, 5174, 5175 and 5181 of 2007 (processing group) / Civil Appeal Nos. 5178 and 5179 of 2007 (negative-profit group) / Civil Appeal No. 3687 of 2005 (negative-profit heading; jurisdiction list says 2006) / Civil appeal arising from SLP(C) No. 12609 of 2004 (converted number blank in judicial heading; mixed issues) / Civil Appeal No. 5176 of 2007 (jurisdiction list; no guessed mapping to blank heading) / Civil Appeal No. 3167 of 2006 (separate final unit)

PROPOSITION-SPECIFIC SOURCE PARAGRAPHS AND PDF PAGES

1.

Topic: Identity, group headings and lead facts

Source url: [Open cited source](#)

Pdf pages: 1; 2; 4; 5; 6

Paragraphs: Cover; jurisdiction; processing heading; 1-6

Source role: reported metadata and judicial text

2.

Topic: Submissions and relevant historical text

Source url: [Open cited source](#)

Pdf pages: 6; 7; 8; 9; 10; 11; 12; 13; 14; 15

Paragraphs: 7-17

Source role: judicial text

3.

Topic: Four variables and processing treatment

Source url: [Open cited source](#)

Pdf pages: 15; 16; 17; 18; 19

Paragraphs: 15-23

Source role: judicial text

4.

Topic: Processing group relief and distinct negative-profit group

Source url: [Open cited source](#)

Pdf pages: 19; 20

Paragraphs: 24-28; Moosa quotation

Source role: judicial text with embedded precedent quotation

5.

Topic: Mixed-issue remand and distinct Revenue dismissal

Source url: [Open cited source](#)

Pdf pages: 20; 21

Paragraphs: 29-35

Source role: judicial text

6.

Topic: Earlier excise/sales-tax ruling and limitation

Source url: [Open cited source](#)

Pdf pages: 25; 26; 27; 28

Paragraphs: Lakshmi 18-20

Source role: checked earlier judicial comparison

7.

Topic: Later net-receipt rule and express distinction of Nair

Source url: [Open cited source](#)

Pdf pages: 9; 10; 11; 12; 13; 14

Paragraphs: ACG 8-15, particularly 14

Source role: bounded later judicial comparison

8.

Topic: Later scrap issue and Nair in counsel submissions

Source url: [Open cited source](#)

Pdf pages: 9; 10; 11; 12; 13; 14

Paragraphs: Punjab Stainless 14-31

Source role: bounded later judicial comparison

ADDITIONAL STATUTORY CONTEXT, NOT SEPARATE HOLDINGS

80hhc(3): Historical AY 1993-94 formula; the Court expressly stresses the version and subsequent changes

Explanation (baa): Processing income reduction in deriving relevant business profits; this judgment does not determine gross versus net receipts

80hhc(3)(c): Separate negative-profit appeals apply A.M. Moosa to combining manufacturing and trading results

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: 21 PDF pages; SHA-256

0bb5f24c0b1e561263d684774755d8efd0674d3aa3ea749643efd25c4d3a8d04. Original bytes preserved.

All judicial units on physical PDF pages 5-21 (SCR 1101-1117), paragraphs 1-35, fully read: processing charges through paragraph 24; loss appeals 25-28; mixed processing/loss appeal 29-34; separate Revenue dismissal 35. Pages 1-4 are editorial/report/jurisdiction material. Bleed-through/OCR gaps on pages 15, 18 and 19 were resolved by reading the rendered source images. No adjacent judgment.

[Open cited source rendition](#)

The processing group and mixed-issue appeal expressly identify AY 1993-94. No individual assessment-year mapping is supplied for every separately listed companion.

Pages 15, 18 and 19 have severe bleed-through and unusable or incomplete cached OCR, including nearly missing page 18. The rendered source images were read to recover paragraphs 13-17, the end of 21, paragraphs 22-23, paragraph 24 and the loss-group heading.; The jurisdiction line prints CA 3687/2006 but the judicial negative-profit heading prints 3687/2005. Both are disclosed; no silent correction is made.; The mixed-issue judicial heading leaves the converted civil-appeal number blank. Although CA 5176/2007 appears in the jurisdiction list, the note does not infer that mapping.; The editorial opening describes CA 3167 as 2007; the final judicial heading and paragraph 35 clearly say 3167/2006. The latter governs this note.; Paragraph 6 reports an AO deduction of Rs.1,74,13,200 marked 90% against stated gross income of Rs.1,94,08,220. The recital is not used as a verified arithmetical reconstruction or final deduction amount.; A.M. Moosa is an embedded authority quoted and applied in this judgment; its complete original is not newly reviewed here.; ACG expressly distinguishes the gross-versus-net issue from Nair. No contrary timeless gross-receipt rule is inferred from Nair's processing discussion.

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: 21](#)

SHA-256: 0bb5f24c0b1e561263d684774755d8efd0674d3aa3ea749643efd25c4d3a8d04

[bounded comparison judgment - PDF pages: 28](#)

SHA-256: c35e2b66a447d4ae21ac39543a9c5cb205703ce4d1bd456870bfb34f7c5c259

[bounded comparison judgment - PDF pages: 15](#)

SHA-256: 66479c5e7031141139b12b4b7dfb78190ad8305a0051e37ba2457e4131fe791c

[bounded comparison judgment - PDF pages: 14](#)

SHA-256: 6a816303497651e4cf9c6c828dd62736e49aa9a77ab1d9d72bc69f77e342f4df

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.

PROFESSIONAL DISCLAIMER

General research information only; not legal or tax advice, a certified judgment or a substitute for the full order. Applicability depends on facts, assessment year, statutory version and jurisdiction. Subsequent treatment is unverified unless identified sources are expressly stated. Downloading does not create a professional engagement. Obtain case-specific advice before reliance.