

J.K. Industries Ltd. and Another v. Union of India and Others

Civil Appeal No. 3761 of 2007 with Civil Appeals Nos. 3478-3480 and 3482 of 2007
[2007] 12 SCR 136 | 2007-11-19

Income-tax accounting companion: AS 22 deferred-tax requirements upheld against Companies Act challenges; constitutional questions left open.

Companies Act, 1956: sections 205, 209, 210A, 211(1)-(3C), 227(3)(d), 641 and 642; Schedule VI | Companies (Accounting Standards) Rules, 2006: Accounting Standard 22, especially paragraphs 9 and 33 | Income-tax Act, 1961: accounting/tax differences discussed, including depreciation and section 43B; no individual assessment adjudicated | Constitution of India: Articles 14 and 19(1)(g) challenges expressly left open

Two-judge Bench; judgment delivered by S.H. Kapadia, J. | S.H. Kapadia, J. | B. Sudershan Reddy, J.

Constitutional questions expressly left open

Paragraph 135 leaves Articles 14 and 19(1)(g) challenges undecided. Dismissal of the appeals is not an unqualified constitutional endorsement of AS 22.

Accounting recognition is not an assessment or deduction

This judgment upholds the historical Companies Act reporting requirements. Its discussion of accounting income and tax effects does not dispense with statutory tax adjustments or grant a particular taxpayer a deferred-tax deduction.

01 FACTS OF THE CASE

Several companies challenged AS 22, which requires accounting for current and deferred taxes. J.K. Industries challenged its mandatory application to listed-company accounts from financial year 2001-02; during the litigation, the Central Government adopted it through the Companies (Accounting Standards) Rules, 2006 on 7 December 2006. The appeals followed the Calcutta High Court's rejection of the challenge. The principal objections concerned AS 22 paragraph 9, including deferred tax in tax expense, and paragraph 33, recognising accumulated opening deferred-tax balances through revenue reserves. The companies argued that these requirements exceeded delegated powers, conflicted with accrual accounting and Schedule VI, and retrospectively reduced profits, reserves and net worth.

Source: [Judgment paras 1-3; SCR147-148](#)

02 DISCUSSION BY THE HON'BLE COURT

The Court read the Companies Act and its rules as a composite scheme. The requirement of a true and fair view supplied the legislative policy; sections 641 and 642 entrusted related but distinct powers to alter schedules and fill in details. Delegated rules could supplement, but not override, the Act. AS 22 supplied recognition and measurement requirements consistent with that policy. The Court treated matching and timing differences as compatible with accrual accounting: tax effects known at the balance-sheet date could require recognition although payment occurred later. Different book and tax depreciation illustrated deferred-tax liabilities; deferred-tax assets remained subject to prudence and future realisation. The reproduced standard distinguished timing from permanent differences and imposed stricter evidentiary conditions for loss-related assets. These reporting concepts were not an adjudication of a company's tax return.

Source: [Judgment paras 56 onward; statutory and accounting reasoning](#); [Reproduced AS22: permanent differences and prudence](#)

03 JUDICIAL DECISION

The rule adopting AS 22 was neither an excessive delegation nor inconsistent with the Companies Act, including Schedule VI. Paragraph 9's inclusion of current and deferred tax in tax expense was a valid supplementary accounting requirement. Paragraph 33 was transitional, not retrospective: opening accounting and tax balances were compared to recognise the tax effects of timing differences, subject to prudence for assets. The Court expressly declined to decide the separate Articles 14 and 19(1)(g) objections, which had been pleaded but apparently not argued before the High Court. Those questions remained open.

Source: [Judgment paras 130-135; transition, conclusion and reserved questions](#)

04 OUTCOME / IN WHOSE FAVOUR

In favour of the Union of India and respondents on the statutory-validity challenge. The Supreme Court found no infirmity in the High Court judgment and dismissed all the companies' civil appeals, with no order as to costs. It did not quash AS 22, order a remand, award a tax refund or determine an individual assessment. The dismissal remains qualified by the express reservation of the constitutional questions.

Source: [Judgment paras 135-136; reserved questions and dismissal](#)

05 AKHB REVIEW POINT

AKHB analysis: separate the accounting recognition question from the tax liability computation. For a relevant AS 22 engagement, reconcile book and tax bases, distinguish reversible timing differences from permanent differences, document the applicable asset-recognition evidence, and check opening-balance transitions. Do not use the judgment's hypothetical figures or broad harmonisation language as current depreciation rates, a deduction entitlement or universal permission to substitute book profit for taxable income. Establish the entity's applicable reporting framework and statutory year first; neither current AS/Ind AS applicability nor subsequent treatment is cleared by this historical note. Any constitutional argument must acknowledge the questions expressly reserved.

Source: [Judgment paras 77 onward; tax accounting concepts](#)

SOURCE & VERIFICATION

Supreme Court Reports scan - public eSCR mirror

All 171 physical pages read, including reproduced Companies Act provisions, Schedule VI, AS 22 and numerical illustrations. Reporter headnotes occupy SCR136-147 / PDFpp.1-12 above the judicial opening. The single judicial opinion comprises paragraphs 1-136, SCR147-306 / PDFpp.12-171. The missing text layer on PDFp.31 / SCR166 was supplied by visual reading of the retained image; there is no missing source page or separate opinion.

Open cited source rendition

Exact source bytes match the reconciliation-register SHA-256: 171 pages, 14,142,462 bytes. Caption, decision date, two-judge bench, five appeals and operative order verified.

Physical pages 1, 12, 31, 161, 170 and 171 were visually inspected. Page 31 / SCR166 has no extracted text but contains Schedule VI material, including the section 43A cross-reference; it was read from the image.

Judicial paragraphs 21-55 largely record opposing submissions; the Court's express finding begins at paragraph 56. AS 22 paragraph numbers reproduced within judicial paragraph 20 are distinct from the judgment's paragraph numbers.

The report's broad accounting-policy discussion and hypothetical depreciation examples are not independent holdings that accounting profits universally replace taxable income. The express disposition is statutory validity under the Companies Act, with Articles 14 and 19(1)(g) reserved.

No matching case identity or exact source hash was found across the published corpus and 165 archived JSON files. Citations to J.K. Industries in different judgments do not constitute duplicate publication of this decision.

STATUTORY SCOPE

This is a company-financial-reporting and deferred-income-tax-accounting companion under the Companies Act, 1956 and AS 22 as considered in 2007. It does not itself assess tax, allow a deduction or replace the applicable income-tax computation with accounting profit.

LATER TREATMENT

Source checked 2026-10-14. No comprehensive subsequent-treatment, current AS/Ind AS applicability, Companies Act, 2013 or present income-tax-law clearance is claimed.

IDENTIFIED SOURCE LINKS

reported judgment - PDF pages: 171

SHA-256: e4e22c457a8254b7295e2d327279d014f13c930b7cf57812585a6ca381b355e8

AI DISCLOSURE

This AKHB research note was prepared with AI assistance from the identified primary report. Independent human review is not represented.

PROFESSIONAL DISCLAIMER

General legal and tax research only; not legal or tax advice. Verify the full judgment, governing statutory version, applicable accounting framework and subsequent treatment before reliance. The AKHB REVIEW POINT is editorial analysis, not the Court's holding. No current-law clearance is claimed.