

Commissioner of Income Tax, Chennai v. M/s. Modern Engineers Construction Cooperative Society Ltd.

Civil Appeal No. 5497 of 2008

[2008] 13 SCR 63 | 2008-09-04

The Supreme Court set aside a section 80P decision because the High Court had used facts from a different kind of cooperative society. It required reconsideration on the correct facts and in light of a prima facie relevant Supreme Court authority, expressly leaving deduction entitlement open.

80P | 260A

2-judge bench | Dr. Arijit Pasayat, J. | Dr. Mukundakam Sharma, J.

Deduction merits left open

The Court ordered factual and legal reconsideration without deciding deduction entitlement; the report's subsection labels differ from its labour-related factual description.

Operative context: Income-tax Act, 1961.

01 FACTS OF THE CASE

The society claimed a deduction under section 80P. The Assessing Officer rejected it because the income was not attributable to members' actual labour or their collective disposal of labour. The Commissioner (Appeals), following earlier orders, allowed the claim; the Tribunal dismissed Revenue's appeals. Revenue then challenged the Madras High Court's dismissal of its section 260A appeals. The reported Supreme Court proceeding is Civil Appeal No. 5497 of 2008, arising from the High Court's order of 26 February 2007 in T.C. (A) No. 136 of 2007. The society did not appear despite service.

Source: [SCR 64 C-H, paragraphs 1-4](#)

02 DISCUSSION BY THE HON'BLE COURT

The decisive error was factual. The High Court had approached the dispute as one about interest received from members of a credit society engaged in banking. The Supreme Court found that it had mixed up this case with another case. That mistake alone made the order indefensible.

The Court also identified Madas Autorickshaw Drivers v. Commissioner of Income Tax, (2001) 10 SCC 175, as prima facie relevant but overlooked. It directed the High Court to consider that authority alongside the correct factual position. It neither explained and finally applied the cited authority's substantive test nor adopted Revenue's submission that the society's retained profits defeated the deduction. The explicit reservation of merits controls the use of this short ruling.

Source: [SCR 65 A-C, paragraphs 5-6](#)

03 JUDICIAL DECISION

After granting leave, the Supreme Court set aside the High Court's order and remitted the matter for fresh consideration on the correct facts and in light of the cited decision. The civil appeal was disposed of on that basis.

Source: [SCR 65 B-D, paragraphs 6-7](#)

04 OUTCOME / IN WHOSE FAVOUR

High Court order set aside; matter remitted for fresh consideration; civil appeal disposed of. Result: Revenue obtained reconsideration; ultimate deduction entitlement remained open. Costs: No costs direction recorded. Scope: No opinion expressed on the merits of the deduction. Limit: This is a reasoned correction of the basis for appellate adjudication, not a decision allowing or disallowing the section 80P deduction.

Source: [SCR 65 B-D, paragraphs 6-7](#)

05 AKHB REVIEW POINT

When several cooperative-society appeals are heard together, verify the society's activities, the source of each receipt and the assessment findings before applying a common order. A credit-society interest case may not answer a dispute about labour-derived income. Identify any overlooked authority and explain its factual fit; a direction to consider an authority is not a final ruling that its conditions are satisfied. In a remand submission, separate the binding direction to reconsider from the substantive arguments that still require determination.

Source: [SCR 65 A-D; practical application of the correction/remand direction](#)

SOURCE & VERIFICATION

Original reported Supreme Court judgment

3-page retained public-mirror SCR report. The complete report was read as text and page images. Fresh remote authentication as a signed original is not claimed.

Open cited source rendition

The headnote and paragraph 2 print section 80P(2)(a)(i); paragraph 3 prints 80P(a)(i). Those labels have not been silently replaced. The title's COOPERTIVE and the recital's 208 are typographical features; the caption identifies the appeal as 5497 of 2008. No assessment year is stated.

STATUTORY SCOPE

Income-tax Act, 1961.

Current statutory equivalence and Income-tax Act, 2025 applicability have not been verified. No automatic carry-over of this precedent is claimed.

LATER TREATMENT

Source checked 2026-10-06. A bounded search for this judgment found later same-party tribunal material, but no later judicial treatment was substantively verified for this note. Comprehensive subsequent history remains unverified.

AI DISCLOSURE

AI-assisted research. The AKHB Review Point is editorial analysis, not part of the Court's judgment.

PROFESSIONAL DISCLAIMER

General information, not legal or tax advice. Verify the complete judgment, applicable law and subsequent treatment before reliance. Source review is not independent professional approval.