

Udaipur Sahakari Upbhokta Thok Bhandar Ltd. v. Commissioner of Income-tax

Civil Appeal No. 4399 of 2009

[2009] 11 SCR 90 | 2009-07-16

Whether the society's controlled-commodity margin described as commission was income from letting or use of godowns for purposes covered by section 80P(2)(e), rather than profit from its own trading stock.

80P(2)(e) | 81(iv)

Two-judge bench | S.H. Kapadia, J. | Aftab Alam, J.

Assessment years: 1989-90, 1990-91, 1991-92, 1992-93, 1993-94, 1994-95, 1995-96

Own-stock trading margin, not a blanket co-operative deduction ruling

Section 80P(2)(e) was denied because this receipt arose from the society's purchase and resale of its own stock. The Court distinguished genuine qualifying storage/use income in South Arcot and did not require a formal lease as a universal condition. The reported return-filing chronology, rate-order dates and rate table contain discrepancies; do not use them as a verified filing history or rate computation. Current law and comprehensive later treatment remain unverified.

01 FACTS OF THE CASE

The co-operative society operated a consumer store and branches at Udaipur, trading in non-controlled goods and distributing controlled foodgrains and other commodities under the Rajasthan Foodgrains and Other Essential Articles (Regulation of Distribution) Order, 1976. It took delivery through FCI and the State co-operative supply arrangement, stored goods in owned and rented godowns, and supplied designated fair-price shops at controlled prices. It claimed that the State's control made the receipt a storage commission (paragraphs 3–7).

The society retained the prescribed margin by setting off the issue price against the sale price; the example included Rs.2.25 per quintal as commission. It also brought the consolidated closing-stock value into its books. The Assessing Officer disallowed the section 80P(2)(e) claim, the first appellate authority and Tribunal allowed it, and the Rajasthan High Court reversed on the ground that the goods were the society's own trading stock (paragraphs 5–8).

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

02 DISCUSSION BY THE HON'BLE COURT

Section 80P(2)(e) is a special deduction, not a charging provision. The assessee must bring its income within that provision. Approving the Gujarat High Court's construction of the predecessor provisions, the Court held that storage, processing and facilitating the marketing of commodities describe the permitted purposes of the letting/use of the godown; they are not three independent income sources exempt regardless of letting (paragraphs 10–13).

The description of a person as an agent and the intensity of government price or distribution control do not by themselves establish a principal–agent relationship. The Court examined the actual transaction and adopted the reasoning in *A. Venkata Subbarao*: regulated trading through ordinary commercial channels can remain a purchase and resale, and the margin between controlled prices need not be agency remuneration. In this case the netting mechanism and closing-stock accounting supported the High Court's finding that the goods were the society's own stock (paragraphs 8 and 14–17).

South Arcot was distinguished, not overruled. There the society held the Government's fertilizer stock under the particular storage agreement, and the small incidental services did not alter the storage character of the receipt. Here there were two sales, first through FCI to the appellant and then by the appellant to the fair-price shop. The price difference was a commercial margin, not consideration for qualifying use of the godown. Contract and conduct had to be examined in each case (paragraphs 18–19).

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

03 JUDICIAL DECISION

The society was not entitled to the section 80P(2)(e) deduction for this margin. The Court upheld the High Court's conclusion that it stored the commodities as its own trading stock and dismissed Civil Appeal No. 4399 of 2009 with no order as to costs. There was no remand (paragraphs 17, 19–20).

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

04 OUTCOME / IN WHOSE FAVOUR

In whose favour: Revenue

Assessee's sole civil appeal dismissed; no order as to costs

Final rejection of the section 80P(2)(e) claim for the controlled-commodity trading margin

The decision concerns this income and trading arrangement. It does not deny every co-operative society deduction, require a formal lease in every qualifying storage case, or overrule *South Arcot*. A genuine letting/use receipt for an enumerated purpose remains a different inquiry.

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

05 AKHB REVIEW POINT

Identify what earns the receipt. Merely keeping goods in a warehouse, calling a margin commission, or complying with extensive PDS controls does not establish income from qualifying letting/use. Review purchase and sale documents, closing-stock treatment, the price-netting mechanism, contractual ownership and the parties' conduct. Do not attribute the detailed risk or financing facts of the quoted Venkata Subbarao precedent to this assessee without evidence.

Keep South Arcot's actual storage arrangement distinct from resale of one's own stock. Section 80P(2)(e) is an income-specific deduction and the taxpayer must establish its conditions; this judgment is not a blanket conclusion about all co-operative income or a present-law certification.

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

PROPOSITION-SPECIFIC SOURCE PARAGRAPHS AND PDF PAGES

1.

Topic: Identity, decision date and sole appeal

Source url: [Open cited source](#)

Pdf pages: 1; 3

Paragraphs: Cover; jurisdiction; 1–2

Source role: reported metadata and judicial text

2.

Topic: PDS arrangement and printed filing-history anomaly

Source url: [Open cited source](#)

Pdf pages: 4; 5; 6; 7; 8

Paragraphs: 3–7, including both printed 4 passages

Source role: judicial text

3.

Topic: Price netting, rate-table anomalies and closing stock

Source url: [Open cited source](#)

Pdf pages: 9; 10; 11

Paragraphs: 7–9

Source role: judicial text

4.

Topic: Statutory text and adopted letting-purpose construction

Source url: [Open cited source](#)

Pdf pages: 11; 12; 13; 14; 15; 16; 17

Paragraphs: 10–13; embedded Surat Vankar extract

Source role: judicial text

5.

Topic: Agency versus controlled trade

Source url: [Open cited source](#)

Pdf pages: 17; 18; 19; 20; 21; 22; 23; 24; 25

Paragraphs: 14–17; embedded precedent discussion distinguished

Source role: judicial text

6.

Topic: South Arcot distinction and operative dismissal

Source url: [Open cited source](#)

Pdf pages: 25; 26; 27; 28

Paragraphs: 17–20

Source role: judicial text

ADDITIONAL STATUTORY CONTEXT, NOT SEPARATE HOLDINGS

80p(2)(e): Special deduction for income derived from qualifying letting/use of godowns or warehouses; the live provision

81(iv): Predecessor provision quoted for interpretation, with section 14(3)(iv) of the 1922 Act; not an additional assessment provision

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

10d5cfe160fe9932714cc410f9b53fa60b2500efd34a4aa9981e3c8a43973a4b. Original bytes preserved.

Judicial paragraphs 1–20 on physical pages 3–28 (SCR 92–117), including both printed paragraph 4 passages, quoted 1976 Order/rate tables, and embedded precedents. Pages 1–2 and page 3 above the author line are editorial/report material. No adjacent judgment.

[Open cited source rendition](#)

Paragraph 5 lists AYs 1989–90 through 1995–96 in the background; the Supreme Court disposes of one civil appeal. The printed return-filing chronology is internally impossible for the later years and is not adopted or silently corrected.

Paragraph 5 says returns for AYs 1990–91 through 1995–96 were filed on 31 October 1990, and links later years to 1992/1993 proceedings. This chronology cannot be relied on as exact filing history; the listed assessment years and the 2009 Supreme Court date are separately recorded.; The rate-order narration on physical page 9 says 12 March 1987; the quoted order is dated 12 May 1987, operative 1 May 1987. The note does not choose an unverified corrected date.; The quoted rate table contains visible arithmetic/printing inconsistencies, including 251.00 plus 0.20 being printed as 252.20 and a final superfine figure printed as 80.00. No recomputed liability or corrected official rate schedule is inferred.; The source prints paragraph 4 twice. Paragraphs 11–12 reproduce Surat Vankar reasoning and paragraphs 15–16 narrate/quote Venkata Subbarao. Those precedent facts are not the appellant's independently proved facts.; The reporter's introductory holding is not judicial text. South Arcot is substantively distinguished in paragraphs 18–19, notwithstanding the reporter's case-reference locator.

STATUTORY SCOPE

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

LATER TREATMENT

Source checked 2026-10-04. Comprehensive subsequent judicial and statutory treatment is not verified. Any actually checked statutory comparison is identified separately and does not certify current law or a 2025-Act counterpart.

IDENTIFIED SOURCE LINKS

[reported judgment - PDF pages: 28](#)

SHA-256: 10d5cfe160fe9932714cc410f9b53fa60b2500efd34a4aa9981e3c8a43973a4b

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.