

C.I.T., Mumbai v. M/s. Emptee Poly-Yarn Pvt. Ltd.

Civil Appeal No. 786 of 2010 / Civil Appeal No. 787 of 2010 / Civil Appeal No. 788 of 2010 / Civil Appeal No. 789 of 2010 / Civil Appeal No. 790 of 2010 / Civil Appeal No. 791 of 2010 / Civil Appeal No. 792 of 2010

[2010] 1 SCR 801 | 2010-01-20

Whether the proved twisting and texturising of POY through the thermo-mechanical process constitutes manufacture for the section 80-IA claim.

80-IA

2-judge bench; one order of the Court | S.H. Kapadia, J. | H.L. Dattu, J.

Assessment years: 1996-97

IMPORTANT: LEGACY SECTION 80-IA AND PROCESS-SPECIFIC MANUFACTURE

Legacy assessment-year warning: the lead claim concerns AY 1996-97 section 80-IA and a proved POY thermo-mechanical process. The later 2024 (No. 2) section 80-IA text is tied to specified subsection (4) businesses; this decision does not establish present deduction eligibility or that every twisting/texturising process is manufacture. Full historical/current-law validation and Income-tax Act 2025 mapping remain unverified. The primary source is a preserved eSCR mirror report, not an independently authenticated signed original.

01 FACTS OF THE CASE

Revenue's seven civil appeals, Nos. 786-792 of 2010, questioned whether twisting and texturising partially oriented yarn (POY) amounted to manufacture for section 80-IA of the Income-tax Act, 1961. The lead assessee was Emptee Poly-Yarn and its stated assessment year was 1996-97. The reported lead appeal arose from the Bombay High Court's judgment and order dated 27 February 2008 in ITA No. 1393 of 2000. Leave was granted and both sides were heard before the Supreme Court decided the merits (paragraphs 1-4; physical 3/SCR 803). The report supplies no separate assessment years, company names or underlying High Court docket details for the six connected appeals, and they are not inferred from the lead case.

The decisive technical evidence was a Mumbai University opinion conveyed by letter dated 10 July 1999. The Department had not controverted it. POY was a semi-finished input which could not itself be put into warp or weft or directly used to manufacture fabric. The assessee's thermo-mechanical process introduced crimps, bulkiness and related characteristics, converting the input into texturised yarn capable of being used in fabric manufacture. The report describes the process and its effect; it does not reproduce the full expert letter, a machinery inventory, production figures or a quantified deduction (paragraphs 5-8; physical 3-5).

The Department relied on Commissioner of Central Excise, Mumbai-V v. Swastik Rayon Processors, 2007 (209) ELT 163 (SC), concerning twisting cellulosic filament yarn with blended polyester/viscose yarn. That authority's applicability, rather than a dispute about every other condition or the amount of section 80-IA relief, formed the stated competing legal position (paragraph 9; physical 5-6).

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

02 DISCUSSION BY THE HON'BLE COURT

The report contains one reasoned order of the Court for the two-judge bench of S.H. Kapadia and H.L. Dattu. It does not attribute the order to an individual judge. The R.V. Raveendran running header on SCR 805 is inconsistent with the bench and is not treated as authorship evidence.

The Court insisted on examining what the particular process does to the particular product. It criticised reliance on dictionary definitions without investigating the actual operation and the Department's failure to obtain a counter-opinion where appropriate. The observation that no counter-opinion seemed possible on this record was expressly *prima facie*; it did not establish a rule that every unopposed expert statement automatically determines a legal claim (paragraphs 5-6; physical 3-4).

On the uncontroverted technical evidence, the thermo-mechanical operation made a previously unsuitable semi-finished input fit for fabric manufacture. The Court adopted the fitness-for-use test quoted from its Oracle Software decision, while retaining the proposition that every change is not manufacture. It found manufacture in the conversion of POY into texturised yarn through this process. This was a final application of section 80-IA to the disputed manufacturing activity, not a remand to investigate the facts (paragraph 7; physical 4-5).

Paragraph 8 also referred to the definition made explicit by the Finance (No. 2) Act 2009: a change bringing into existence a new and distinct thing with different chemical composition or integral structure. The Court said the thermo-mechanical operation also changes the yarn's structure and identified structure, character, use and name as relevant indicia. The order applies that definition's reasoning to the facts, but does not discuss the amendment's commencement or decide a separately contested retrospectivity question. Its reference must not be enlarged into a general holding that the 2009 insertion governs every earlier assessment year (physical 5/SCR 805).

Swastik Rayon was distinguished on its facts. Cellulosic filament yarn was already a final product capable of direct use in fabric manufacture; the POY here was not. What mattered was the transformation of this input by this thermo-mechanical operation. The Court twice expressly limited its judgment: twisting or texturising does not necessarily amount to manufacture in every case. It did not overrule Swastik Rayon, equate all excise and income-tax tests, or classify every yarn process alike (paragraphs 6 and 9-10; physical 4-6).

A bounded later comparison supports keeping the process inquiry explicit. In *Titanor Components v. CIT* (Delhi High Court, 4 February 2011), paragraph 14 referred to *Emptee* as following Oracle; paragraphs 14.1-14.2 used the fitness and distinct-article inquiry for coated titanium material. That later High Court application is recorded only within the identified passage, not as a complete later-treatment clearance.

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

03 JUDICIAL DECISION

The Supreme Court found no infirmity in the impugned High Court judgments and dismissed all seven Department appeals, Civil Appeal Nos. 786, 787, 788, 789, 790, 791 and 792 of 2010, with no order as to costs. Its operative answer was favourable to the assesseees on the section 80-IA manufacture question. It ordered no remand and stated no quantified deduction, refund, demand cancellation or universal entitlement independent of the statutory conditions (paragraph 11; physical 6/SCR 806 D-E).

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

04 OUTCOME / IN WHOSE FAVOUR

In whose favour: Assesseees

All seven Revenue appeals dismissed

Final reasoned decision on the section 80-IA manufacture issue

Fact-specific transformation of POY; no blanket classification, remand or quantified deduction/refund.

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

05 AKHB REVIEW POINT

For a legacy manufacturing dispute, build the comparison around the input, actual process and output. Preserve contemporaneous technical evidence showing why the input cannot serve the output's use, what thermal or mechanical steps change it, and how the resulting structure, characteristics and use differ. The process label alone is insufficient. A claim based only on twisting or texturising risks omitting the very qualification the Court repeated.

Keep the disputed condition separate from entitlement to a deduction. Emptee decided manufacture for a lead AY 1996-97 section 80-IA claim; it did not dispense with other conditions or compute relief. The official departmental section 80-IA page labelled 2024 (No. 2) instead ties relief to subsection (4)'s specified infrastructure, telecommunications, park/zone and power businesses. That bounded later text confirms that this old industrial-manufacture holding cannot by itself establish later section 80-IA eligibility. The attempted historical page was unavailable, so the complete assessment-year text and legislative transition have not been authenticated here.

The target's use of the 2009 definition also needs care. An official indexed CBDT explanatory excerpt identifies section 2(29BA) and states AY 2009-10 onward applicability, but the full circular PDF returned 404. The note therefore preserves the distinction between the Court's reasoning and unverified full legislative history. Confirm the relevant assessment-year provision, any later applicable relief and subsequent treatment before relying on the case. No Income-tax Act 2025 equivalence, savings/transition rule or automatic transfer of the precedent has been verified.

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

DETAILED DISPOSITION AND CONNECTED GROUPS

Costs: No order as to costs

INDIVIDUAL PROCEEDING OUTCOMES

1.

Case number: Civil Appeal No. 786 of 2010

Underlying proceeding: Bombay High Court ITA 1393 of 2000, judgment/order 27 February 2008; SLP(C) 26482/2008

Assessment years: 1996-97

Outcome: Revenue appeal dismissed; impugned High Court judgment left undisturbed on manufacture question

Costs: No order as to costs

2.

Case number: Civil Appeal No. 787 of 2010

Underlying proceeding: Companion appeal expressly listed in SCR recital; separate High Court proceeding and year not supplied

Assessment years:

Outcome: Revenue appeal dismissed; impugned High Court judgment left undisturbed on manufacture question

Costs: No order as to costs

3.

Case number: Civil Appeal No. 788 of 2010

Underlying proceeding: Companion appeal expressly listed in SCR recital; separate High Court proceeding and year not supplied

Assessment years:

Outcome: Revenue appeal dismissed; impugned High Court judgment left undisturbed on manufacture question

Costs: No order as to costs

4.

Case number: Civil Appeal No. 789 of 2010

Underlying proceeding: Companion appeal expressly listed in SCR recital; separate High Court proceeding and year not supplied

Assessment years:

Outcome: Revenue appeal dismissed; impugned High Court judgment left undisturbed on manufacture question

Costs: No order as to costs

5.

Case number: Civil Appeal No. 790 of 2010

Underlying proceeding: Companion appeal expressly listed in SCR recital; separate High Court proceeding and year not supplied

Assessment years:

Outcome: Revenue appeal dismissed; impugned High Court judgment left undisturbed on manufacture question

Costs: No order as to costs

6.

Case number: Civil Appeal No. 791 of 2010

Underlying proceeding: Companion appeal expressly listed in SCR recital; separate High Court proceeding and year not supplied

Assessment years:

Outcome: Revenue appeal dismissed; impugned High Court judgment left undisturbed on manufacture question

Costs: No order as to costs

7.

Case number: Civil Appeal No. 792 of 2010

Underlying proceeding: Companion appeal expressly listed in SCR recital; separate High Court proceeding and year not supplied

Assessment years:

Outcome: Revenue appeal dismissed; impugned High Court judgment left undisturbed on manufacture question

Costs: No order as to costs

PROPOSITION-SPECIFIC SOURCE PARAGRAPHS AND PDF PAGES

1.

Topic: Question, lead year and procedural identity

Source url: [Open cited source](#)

Pdf pages: 3

Paragraphs: Paragraphs 1-5; SCR 803

Source role: judicial text

2.

Topic: Expert evidence and narrow process-specific holding

Source url: [Open cited source](#)

Pdf pages: 4; 5

Paragraphs: Paragraphs 5-8; SCR 804-805

Source role: judicial text

3.

Topic: Excise comparison, repeated limitation and disposal of all appeals

Source url: [Open cited source](#)

Pdf pages: 5; 6

Paragraphs: Paragraphs 9-11; SCR 805-806

Source role: judicial text

QUANTIFICATION AND MONETARY LIMITS

The report states no tax, income, deduction, refund or litigation-cost amount.

REPORTED SOURCE ANOMALIES AND THEIR LIMITS

1.

Location: Physical 5/SCR 805 running header

Printed: [R.V. RAVEENDRAN, J.]

Resolution: Inconsistent with the physical 1 bench S.H. Kapadia and H.L. Dattu and with the Court-order recital on physical 3. The separately read official Supreme Court text ends with Kapadia/Dattu names. Treat the running header as an attribution anomaly; do not name an individual author.

2.

Location: Physical 2/SCR 802 editorial headnote

Printed: Constitution of India, 1951 – Article 141

Resolution: Editorial year slip; no Article 141 adjudication appears in the actual order. Neither entry is used as a substantive issue.

3.

Location: Text extraction of physical 3

Printed: Section SOIA in OCR; image reads Section 80IA

Resolution: Image controls; section 80-IA retained. Poly-Yarn/Poly-Yam OCR and texturised/texturized spelling variations do not establish different judgments.

ADDITIONAL STATUTORY CONTEXT, NOT SEPARATE HOLDINGS

Section 80-IA: live manufacture condition for the lead AY 1996-97 claim.; Finance (No. 2) Act 2009 manufacture definition: judicially invoked in paragraph 8; target does not name its section number or adjudicate commencement.; Section 2(29BA): identified by bounded official indexed explanatory material only; no complete amendment-history authentication.; Central Excise Act section 2(f): distinguished precedent context, not the charging provision or operative tax statute in these appeals.

JUDICIAL AUTHORSHIP AND SEPARATE OPINIONS

Order of the Court; no individual author identified

ACT IDENTIFIED IN THE REVIEWED SOURCE

Income-tax Act, 1961

SPECIFIED STATUTORY CHECKS AND THEIR LIMITS

1.

Source: Income Tax Department section 80-IA

Url: [Open cited source](#)

Access date: 2026-10-06

Version: Page labelled 2024 (No. 2)

Pinpoint: Web lines 221-286: version; subsection (1); complete subsection (4) business categories

Result: Later section 80-IA ties deduction to specified infrastructure, telecommunications, industrial-park/special-economic-zone and power businesses under subsection (4). Manufacturing status under the earlier assessment-year case is not, by itself, later section 80-IA eligibility. Complete current-law and transition history not certified.

Status: bounded later consolidation text verified

2.

Source: Income Tax Department historical section 80-IA lead

Url: [Open cited source](#)

Access date: 2026-10-06

Version: Historical page returned in search; exact operative AY 1996-97 version not authenticated

Pinpoint: Search metadata only; full open Internal Error

Result: Full source retrieval failed. No fresh raw/alternate retry; no claim to have authenticated the complete section text applicable to AY 1996-97. The target judgment itself establishes its live section 80-IA manufacture issue.

Status: search lead only full open failed stop

3.

Source: CBDT Circular 5/2010, 3 June 2010, explanatory notes for Finance (No. 2) Act 2009

Url: [Open cited source](#)

Access date: 2026-10-06

Version: Official search-derived circular paragraphs 6.1-6.2

Pinpoint: Official indexed excerpt reports section 2(29BA), retrospective effect from 1 April 2009 and AY 2009-10 onward; full PDF open returned 404

Result: A bounded official search excerpt flags the 2009 statutory definition and its stated commencement. Neither original amending enactment nor complete circular PDF was acquired. Do not infer from Emptee's paragraph 8 that the insertion generally operated from AY 1996-97.

Status: official search excerpt only full open404 stop

SPECIFIED LATER TREATMENT CHECKS AND THEIR LIMITS

1.

Source: M/s. Titanor Components Ltd. v. CIT & Anr., Delhi High Court, ITA 24/1999, 4 February 2011

Url: [Open cited source](#)

Access date: 2026-10-06

Pinpoint: Web-derived physical 1 and 16-18; paragraphs 14-14.2 and 16

Result: Paragraph 14 expressly says Oracle was followed in Emptee; paragraphs 14.1-14.2 apply the fitness/distinct-article inquiry to coated titanium material. Paragraph 16 answers both questions for that assessee and sets aside the Tribunal judgment, parties bearing their own costs. This is a bounded later High Court application, not a later Supreme Court endorsement or comprehensive citator check.

Status: bounded primary web text verified

Full judgment review: False

BOUNDED NON-PDF SOURCES AND READING LIMITS

1.

Kind: official departmental web text or indexed lead

Source role: auxiliary only

Role: auxiliary only

Url: [Open cited source](#)

Source url: [Open cited source](#)

Review scope: Later section 80-IA ties deduction to specified infrastructure, telecommunications, industrial-park/special-economic-zone and power businesses under subsection (4). Manufacturing status under the earlier assessment-year case is not, by itself, later section 80-IA eligibility. Complete current-law and transition history not certified.

Provenance: bounded later consolidation text verified

Version: Page labelled 2024 (No. 2)

Pinpoint: Web lines 221-286: version; subsection (1); complete subsection (4) business categories

Full bounded judicial text read: False

2.

Kind: official departmental web text or indexed lead

Source role: auxiliary only

Role: auxiliary only

Url: [Open cited source](#)

Source url: [Open cited source](#)

Review scope: Full source retrieval failed. No fresh raw/alternate retry; no claim to have authenticated the complete section text applicable to AY 1996-97. The target judgment itself establishes its live section 80-IA manufacture issue.

Provenance: search lead only full open failed stop

Version: Historical page returned in search; exact operative AY 1996-97 version not authenticated

Pinpoint: Search metadata only; full open Internal Error

Full bounded judicial text read: False

3.

Kind: official departmental web text or indexed lead

Source role: auxiliary only

Role: auxiliary only

Url: [Open cited source](#)

Source url: [Open cited source](#)

Review scope: A bounded official search excerpt flags the 2009 statutory definition and its stated commencement. Neither original amending enactment nor complete circular PDF was acquired. Do not infer from Emptee's paragraph 8 that the insertion generally operated from AY 1996-97.

Provenance: official search excerpt only full open404 stop

Version: Official search-derived circular paragraphs 6.1-6.2

Pinpoint: Official indexed excerpt reports section 2(29BA), retrospective effect from 1 April 2009 and AY 2009-10 onward; full PDF open returned 404

Full bounded judicial text read: False

PDF TEXT-ONLY SOURCE CHECKS AND READING LIMITS

1.

Kind: official supreme court alternate rendition

Source role: auxiliary identity only

Role: auxiliary only

Url: [Open cited source](#)

Source url: [Open cited source](#)

Reported web pdf pages: 6

Physical text pages read: 1; 6

Physical image pages read:

Full bounded judicial text read: False

Read bounds: Deliberately relied-on cover/dockets and operative signed-name/date ending, web lines 0-22 and 124-137. Other returned text not promoted into a separate full-review claim.

Provenance: Official web-extracted PDF text, accessed 6 October 2026. No local raw-PDF bytes, SHA-256 or image authentication; no source replacement or additional primary asset.

Result: Corroborates Civil Appeals 786-792/2010, lead SLP 26482/2008, companion SLP numbers 4186, 10269, 21390, 2102, 1490, 1582 of 2009, and signed names S.H. Kapadia/H.L. Dattu dated 20 January 2010. Does not identify an individual author.

Checked at utc: 2026-10-06T03:16:56.095056+00:00

2.

Kind: official high court judgment bounded later comparison

Source role: auxiliary only

Role: auxiliary only

Url: [Open cited source](#)

Source url: [Open cited source](#)

Reported web pdf pages: 18

Physical text pages read: 1; 16; 17; 18

Physical image pages read:

Full bounded judicial text read: False

Read bounds: Identity/date on physical 1; paragraphs 14-14.2 across physical 16-17 and paragraph 16/ending on 18. These are the only adopted later-treatment passages; incidental surrounding search-return material is not a fresh full-reading claim.

Provenance: Official Delhi High Court web-extracted PDF text. Raw original bytes/hash and images were not acquired or checked.

Result: Paragraph 14 expressly says Oracle was followed in Emptee; paragraphs 14.1-14.2 apply the fitness/distinct-article inquiry to coated titanium material. Paragraph 16 answers both questions for that assessee and sets aside the Tribunal judgment, parties bearing their own costs. This is a bounded later High Court application, not a later Supreme Court endorsement or comprehensive citator check.

Checked at utc: 2026-10-06T03:16:56.095056+00:00

SOURCE & VERIFICATION

[Hon'ble Supreme Court source PDF \(reported judgment\)](#)

Identified source rendition: 6 PDF pages; SHA-256

2bc66da2d4d2fb1f5a6e796124fdcee7f9fdf1705af69f9f413622bca53f2042. Original bytes preserved.

All 6 physical pages/SCR 801-806. Editorial headnote 1-3; jurisdiction recital and numbered Court order paragraphs 1-11 on 3-6. All seven appeals share one order; no separate opinion or adjacent judgment.

[Open cited source rendition](#)

complete target text and images read

unattributed court order not running header author

all seven appeals preserved

assessment year and later eligibility separated

Printed SCR title/date/bench and seven civil appeals verified. Frozen 2010INSC50 is retained as a catalogue label, not independently certified as an official neutral citation.

The year is expressly stated for Emptee, the lead appeal only. Separate years for the six companions are not supplied.

STATUTORY SCOPE

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

LATER TREATMENT

Source checked 2026-10-06. not_verified

IDENTIFIED SOURCE LINKS

[reported judgment - PDF pages: 6](#)

SHA-256: 2bc66da2d4d2fb1f5a6e796124fdcee7f9fdf1705af69f9f413622bca53f2042

[official supreme court alternate rendition](#)

[official high court judgment bounded later comparison](#)

[official departmental web text or indexed lead](#)

[official departmental web text or indexed lead](#)

[official departmental web text or indexed lead](#)

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.