

Union of India and Others v. M/s Nitdip Textile Processors Pvt. Ltd. and Another

Civil Appeal No. 2960 of 2006 and seven connected appeals

[2011] 13 (ADDL.) SCR 26 | 2011-11-03

KVSS 1998 indirect-tax companion: statutory tax-arrear cutoff upheld; later declaration deadline did not enlarge eligibility.

Finance (No. 2) Act, 1998: Chapter IV, sections 87(h), 87(j), 87(m)(i), 87(m)(ii)(a)-(b), 88 and 89 | Constitution of India: Articles 14 and 226 | Central Excise Act, 1944: sections 11A, 11AB and 11AC (underlying excise demand)

Two-judge bench; judgment delivered by H. L. Dattu, J. | H. L. Dattu, J. | Chandramauli Kr. Prasad, J.

Indirect-tax companion, not a central Income-tax assessment

The appeal batch concerned section 87(m)(ii), including an excise demand. Direct-tax arrears had a separate definition under section 87(m)(i); this decision does not make the two branches interchangeable.

Eligibility cutoff differs from declaration deadline

Extension of the declaration window to 31 January 1999 did not remove the 31 March 1998 statutory eligibility cutoff. These are historical dates, not an available filing opportunity today.

Fiscal latitude is not immunity from Article 14

The Court upheld this classification as reasonable. It retained the requirement of a real distinction rationally connected to the legislative objective; it did not validate every tax cutoff automatically.

01 FACTS OF THE CASE

Eight Revenue appeals challenged a common Gujarat High Court judgment that struck down the 31 March 1998 notice cutoff in section 87(m)(ii)(b) and directed consideration of the assessee's KVSS declarations. In the lead case, an excise inspection on 5 September 1997 recorded clandestine clearance of fabrics; the show-cause notice demanding Rs.84,290 duty, penalties and interest was issued only on 6 January 1999. The assessee argued that pre-cutoff underlying dues should suffice and that eligibility should not depend on when Revenue issued a notice. The question was the statutory cutoff's validity, not final adjudication of the excise demand.

Source: [Paras 1-5 / SCR37-44 / PDFpp.12-19](#)

02 DISCUSSION BY THE HON'BLE COURT

KVSS was a statutory, self-contained settlement and recovery code. Its beneficial purpose supported construction within its terms, not extension beyond its conditions on equitable grounds. The Court examined the scheme's text, Finance Minister's explanations, direct-tax KVSS authorities and the customs/excise trade notice. For indirect taxes it distinguished amounts determined as due or payable by 31 March 1998 and unpaid at declaration from amounts covered by a demand or show-cause notice issued by that date and still unpaid. The latter branch treated disputed demanded sums as tax arrears by legal fiction. The declaration window was a different statutory requirement.

Source: [Paras 5-21 and 28-30 / SCR42-53,58-61 / PDFpp.17-28,33-36](#)

03 JUDICIAL DECISION

The 31 March 1998 classification was reasonable and connected to settling outstanding disputed arrears. Extending declarations to 31 January 1999 did not enlarge the qualifying class. Tax legislation has broad latitude, but the distinction must remain real, intelligible and rationally related to its objective; palpably arbitrary or wholly illusory classifications are not protected. Individual disadvantages or fortuitous differences did not invalidate this generally applicable line. The High Court was therefore wrong to sever the cutoff and extend the scheme to the excluded assesseees.

Source: [Paras 28-30 and 45-46 / SCR58-61,73-75 / PDFpp.33-36,48-50](#)

04 OUTCOME / IN WHOSE FAVOUR

All eight Revenue appeals were allowed. The impugned common judgment and order of 25 July 2005 were set aside, removing the High Court's direction to consider declarations on the expanded basis. The Court recorded that costs were made easy and did not separately discuss each individual issue raised for the respondent. It did not quantify or finally adjudicate each underlying excise liability, nor order a fresh merits remand.

Source: [Para 46 / SCR75B-D / PDFp.50](#)

05 AKHB REVIEW POINT

AKHB analysis: build an eligibility chronology separating the underlying taxable event, determination or quantified demand, notice issuance, unpaid balance and declaration date. Identify the precise direct-tax or indirect-tax branch before borrowing reasoning from another KVSS case. A longer filing window does not necessarily relax a substantive cutoff, and broad settlement objectives cannot replace statutory conditions. An Article 14 challenge should address the classification's actual distinction and nexus, not hardship alone. For any modern settlement scheme, read its own definitions, exclusions, deadlines and later judicial treatment; this historical companion does not establish present eligibility.

Source: [AKHB analysis based on paras 5-8,28-30,45-46 / PDFpp.17-20,33-36,48-50](#)

SOURCE & VERIFICATION

Supreme Court Reports scan - public eSCR mirror

Complete 50-page SCR report read in page-preserving text. Reporter headnotes and case-law table occupy PDFpp.1-11 and the top of p.12. Judicial text begins at SCR37F / PDFp.12, paragraph 1, and ends at SCR75D / PDFp.50, paragraph 46. All quoted submissions and authorities were distinguished from the Court's own conclusions.

Open cited source rendition

All 50 primary report pages were read. PDFpp.1,12,18,28,35,36,50 were visually checked; exact hash, page count, caption, date, two-judge bench and eight appeal numbers were verified.

Paragraph 21 / SCR53 uses internally awkward language about a trade notice being binding on, yet contestable by, an assessee. This note does not derive a general rule on assessee-binding circulars from that sentence; the operative statutory-cutoff holding is clear. Original bytes are preserved.

No matching judgment identity, source hash, asset ID or docket was found in the published collection or archived batches. Related KVSS judgments are distinct decisions.

STATUTORY SCOPE

This is an indirect-tax decision under the historical Kar Vivad Samadhan Scheme, 1998, published as a companion to the collection's direct-tax KVSS decisions. Section 87(m)(i) defined direct-tax arrears separately from the indirect-tax branches in section 87(m)(ii). The present ruling concerns the latter, not present Income-tax liability or eligibility under a later settlement scheme.

LATER TREATMENT

Source checked 2026-10-14. Historical KVSS 1998 decision. No comprehensive subsequent-treatment, review, stay or present-law verification was performed.

IDENTIFIED SOURCE LINKS

[reported judgment - PDF pages: 50](#)

SHA-256: 5579603e8dd42e0bfbcb640de99ccd8273665f7af9bfd1632943787bae18dbb0c

[Related note: Dr. \(Mrs.\) Renuka Datla and Others v. Commissioner of Income Tax, Karnataka and Another](#)

[Related note: Killick Nixon Ltd., Mumbai v. Deputy Commissioner of Income Tax, Mumbai and Others](#)

[Related note: Smt. Sushila Rani v. Commissioner of Income Tax and Another](#)

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