

Rajasthan R.S.S. & Ginning Mills Fed. Ltd. v. Dy. Commissioner of Income Tax, Jaipur

Civil Appeal No. 3880 of 2003

[2014] 7 SCR 336 | 2014-04-29

Whether, for AYs 1994-95 and 1995-96, the amalgamated co-operative society could set off losses incurred by four predecessor societies using sections 72/72A and State-law preservation of rights and proceedings, although the then Income-tax Act contained no applicable loss-transfer provision for that amalgamation.

72 | 72A

Two-judge bench | Anil R. Dave, J. | Shiva Kirti Singh, J.

Assessment years: 1994-95, 1995-96

Historical co-operative loss transfer; relevant-year law controls

This decision rejects transfer of predecessor co-operative societies' losses for AYs 1994-95 and 1995-96 under the law applicable to their 1993 amalgamation. It is not a universal rule against all later co-operative or bank amalgamation relief, and it does not decide general post-amalgamation assessment validity. Distinguish a taxpayer's own accrued loss right from transfer to another taxpayer. Later legislation and judicial treatment remain unverified; no current-law or automatic Income-tax Act, 2025 mapping is supplied.

[paragraphs 8 / PDF pages 9 / judicial text; paragraphs 16-22 / PDF pages 11, 12 / judicial text; paragraphs Unnumbered accrued-right/repeal-savings discussion and conclusion / PDF pages 8, 9, 10, 11 / judicial text](#)

01 FACTS OF THE CASE

Four Rajasthan co-operative societies with substantial State shareholding, Rajasthan Co-operative Spinning Mills Ltd., Gangapur Co-operative Spinning Mills Ltd., Ganganagar Co-operative Spinning Mills Ltd. and Gulabpura Cotton Ginning & Pressing Sahkari Samiti Ltd., were amalgamated into Rajasthan Rajya Sahkari Spinning & Ginning Mills Federation Ltd. with effect from 1 January 1993. The predecessor registrations were cancelled and their assets and liabilities passed to the appellant. The appellant sought to carry forward and set off their accumulated losses of about Rs. 2,68,39,504 against its profits in AYs 1994-95 and 1995-96. The Assessing Officer rejected the claim; the Commissioner (Appeals), Tribunal and Rajasthan High Court agreed (paragraphs 1-4).

The appellant relied on State section 16(8), which preserved rights, obligations and proceedings upon amalgamation, argued that company in section 72A should extend to societies, and invoked vested-right and equality principles. The Revenue maintained that the cancelled predecessor entities and the successor were different legal persons and that an express tax provision was required (paragraphs 5-13).

Source: [reported judgment / paragraphs 1-13 / PDF pages 6, 7, 8, 9, 10 / judicial text](#)

02 DISCUSSION BY THE HON'BLE COURT

The Court required an applicable provision in the Income-tax Act permitting one legal person to use the accumulated losses incurred by another. The four predecessors had ceased to exist after amalgamation and cancellation of registration. Their earlier loss entitlement could not, through the State-law continuation clause alone, be applied against the appellant's profits (paragraphs 15-17).

Section 72A supplied a specific mechanism for company amalgamations subject to statutory conditions. At the relevant time, there was no corresponding provision covering these co-operative-society losses. The Court acknowledged later provisions for banks and other cases but decided the historical statutory position applicable here. Distinct legal personality did not require companies and societies, belonging to different classes, to receive identical treatment under Article 14. Tax benefits could not be extended to unmentioned legal entities merely on equitable analogy (paragraphs 18-22).

Source: [reported judgment / paragraphs 14-22 / PDF pages 10, 11, 12 / judicial text](#)

03 JUDICIAL DECISION

The Court upheld the denial of the predecessor societies' accumulated-loss set-off for the two identified years. Civil Appeal No. 3880/2003 was dismissed with no order as to costs. No remand or separate companion appeal disposition was ordered (paragraphs 21-23).

Source: [reported judgment / paragraphs 21-23 / PDF pages 12 / judicial text](#)

04 OUTCOME / IN WHOSE FAVOUR

In whose favour: Revenue

Assessee's Civil Appeal No. 3880 of 2003 dismissed; no order as to costs

Final rejection of the historical inter-entity accumulated-loss set-off claim

AYs 1994-95 and 1995-96 and the particular co-operative amalgamation. This is not a statement that no later enactment can permit a qualifying co-operative or other amalgamation, nor a general decision on the validity of assessments after corporate amalgamation.

Source: [reported judgment / paragraphs 23 / PDF pages 12 / judicial text](#)

05 AKHB REVIEW POINT

Separate a taxpayer's own accrued loss right from a successor's claim to use a different taxpayer's losses. State-law preservation of assets, liabilities and proceedings does not by itself establish the specific income-tax loss-transfer entitlement decided here. Identify the entity class, amalgamation date, tax years and the applicable statutory conditions before relying on a company analogy.

Shah Sadiq was cited by the appellant. Its original unnumbered discussion on SCR pages 949-952, actually read for this bounded comparison, protects an accrued loss right against repeal absent contrary legislative intent. That is a different question from transfer of predecessor losses to another legal person; this is editorial comparison, not an assertion that Rajasthan expressly overruled or formally distinguished Shah Sadiq. Do not turn the Court's expressly historical absence-of-provision finding into a universal present-day prohibition or an automatic Income-tax Act, 2025 proposition.

Source: [reported judgment / paragraphs 5-8 and 16-22 / PDF pages 8, 9, 11, 12 / judicial text](#); [reported judgment / paragraphs Unnumbered judicial discussion, SCR 949-952 / PDF pages 8, 9, 10, 11 / judicial text](#)

DETAILED DISPOSITION AND CONNECTED GROUPS

Issue results

1.

Issue: Carry-forward and set-off of four predecessor societies' losses against the appellant's profits

Result: Unavailable without an applicable Income-tax Act provision for this historical co-operative amalgamation

In whose favour: Revenue

Pinpoints

1.

Source url: [Open cited source](#)

Pdf pages: 11; 12

Paragraphs: 16-19 and 21

Source role: judicial text

2.

Issue: Extension of company treatment by Article 14/equitable analogy

Result: Rejected; companies and societies were distinct classes and the Court would not insert the omitted benefit

In whose favour: Revenue

Pinpoints

1.

Source url: [Open cited source](#)

Pdf pages: 12

Paragraphs: 20 and 22

Source role: judicial text

3.

Issue: Final appeal disposition

Result: Dismissed without costs

In whose favour: Revenue

Pinpoints

1.

Source url: [Open cited source](#)

Pdf pages: 12

Paragraphs: 23

Source role: judicial text

OTHER PROVISIONS CONSIDERED

Rajasthan Co-operative Societies Act, 1965, section 16(8); Constitution of India, Article 14

JUDICIAL AUTHORSHIP AND SEPARATE OPINIONS

Anil R. Dave, J.

ACT IDENTIFIED IN THE REVIEWED SOURCE

Income-tax Act, 1961

VERIFIED RELATIONSHIPS BETWEEN SPECIFIED JUDGMENTS

1.

Earlier case id: Not stated in the reviewed record

Earlier source asset id: 1987_2_942_952

Earlier case title: Commissioner of Income Tax, U.P. v. Shah Sadiq and Sons

Later case id: sc-2014-04-29-rajasthan-rss-ginning-mills

Relationship: cited in appellant submission with editorial accrued right vs inter entity transfer comparison

Evidence

1.

Source url: [Open cited source](#)

Pdf pages: 9

Paragraphs: 8

Source role: judicial text

2.

Source url: [Open cited source](#)

Pdf pages: 11; 12

Paragraphs: 16-22

Source role: judicial text

3.

Source url: [Open cited source](#)

Pdf pages: 8; 9; 10; 11

Paragraphs: Unnumbered accrued-right/repeal-savings discussion and conclusion

Source role: judicial text

Scope limit: The earlier original limited passage and the present judgment were actually read. No express overruling or detailed judicial distinction of Shah Sadiq is claimed, and this does not establish later treatment of Rajasthan.

SOURCE & VERIFICATION

Hon'ble Supreme Court source PDF (reported judgment)

Identified source rendition: 12 PDF pages; SHA-256

5071de712270b57659e5502a1e209ced0adb4b8eda6e949d8c1d88b5a1c358d3. Original bytes preserved.

Judicial paragraphs 1-23 begin at the foot of physical PDF page 5 and continue through page 12 (SCR 340-347), fully read.

Pages 1-4 and most of page 5 are editorial headnote, references, jurisdiction and appearances. No adjacent judgment.

Open cited source rendition

Both years are expressly stated in judicial paragraph 2; the amalgamation took effect on 1 January 1993.

The Court decides entitlement under sections 72 and 72A as applicable to the identified years. Section 72(A) in parts of the source refers to section 72A, not a distinct enactment. General statutory-succession rights under State section 16(8) and the Article 14 argument were invoked to support the loss-transfer claim.

Public source URLs are preserved acquisition links. Fresh web-tool attempts could not retrieve the three primary URLs; local preserved renditions were verified and reviewed. No fresh live-link availability or signed-original authentication is claimed.; The report title abbreviates the society's name; paragraph 2 gives Rajasthan Rajya Sahkari Spinning & Ginning Mills Federation Ltd. The facts retain that expansion without substituting an unverified title.; The historical absence of a co-operative loss-transfer provision is tied expressly to the relevant time in paragraph 19. No subsequent statutory amendment has been audited for this note.; Shah Sadiq is mentioned in the appellant's argument, not followed as the basis of the disposition. Its preserved rendition has unnumbered judicial paragraphs; physical-page and printed-page descriptions are used instead of invented paragraph numbers.

One Supreme Court appeal is identified, arising from Rajasthan High Court ITA No. 19/2001, decided 19 September 2002. The underlying assessments concern two years; they are not treated as separate Supreme Court appeals.

STATUTORY SCOPE

Historical Income-tax Act, 1961 provisions and the identified periods only. No automatic mapping to the Income-tax Act, 2025.

LATER TREATMENT

Source checked 2026-10-04. No comprehensive subsequent-treatment or present-law audit has been performed. The source-checked comparisons below are bounded and do not certify current authority.

IDENTIFIED SOURCE LINKS

reported judgment - PDF pages: 12

SHA-256: 5071de712270b57659e5502a1e209ced0adb4b8eda6e949d8c1d88b5a1c358d3

reported judgment - PDF pages: 11

SHA-256: 89936b2832e9160d2f968c22bbe673456784ccb47785dccea67060313e408518

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.

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