

Commnr. of Income Tax-VII, New Delhi v. Punjab Stainless Steel Industries

Civil Appeal No. 5592 of 2008 / Civil Appeal No. 3283 of 2009 / Civil Appeal No. 4491 of 2009 / Civil Appeal No. 4898 of 2010

[2014] 8 SCR 729 | 2014-05-05

Whether local sale proceeds of unusable stainless-steel scrap generated by a manufacturer/exporter of utensils should enter total turnover when computing the historical section 80HHC deduction.

80HHC

Two-judge bench | Anil R. Dave, J. | Dipak Misra, J.

Assessment years: See the source-scope notes; no year inferred.

Historical turnover formula; receipt-specific scrap ruling

The exclusion concerns incidental manufacturing scrap of this utensil business under historical section 80HHC; scrap-dealing sales and independent processing-charge issues are distinct. It does not exempt scrap income from tax or decide every formula adjustment. The four appeals are dismissed, but their assessment years are not supplied in the judgment. Subsequent treatment and current law are not comprehensively verified, and the holding is not automatically mapped to the Income-tax Act, 2025.

[paragraphs 14; submission rather than express overruling / PDF pages 9 / judicial text; paragraphs 22-24 / PDF pages 11 / judicial text; paragraphs 18-20 / PDF pages 16, 17 / judicial text](#)

01 FACTS OF THE CASE

The assessee manufactured and exported stainless-steel utensils and also sold utensils locally. Material that could not be used or reused for utensils remained as scrap and was sold in the local market. Its proceeds appeared separately in the profit-and-loss account but were excluded from total turnover for section 80HHC. Revenue sought inclusion because scrap sales were substantial and regular; increasing the denominator would reduce the deduction. The Delhi High Court approved the assessee's treatment, leading to the Revenue appeal. The judgment identifies three companions with the same legal issue but supplies no separate companion fact pattern or assessment years (paragraphs 1-15, 31).

Source: [reported judgment / paragraphs 1-15 / PDF pages 6, 7, 8, 9 / judicial text; reported judgment / paragraphs 31 / PDF pages 14 / judicial text](#)

02 DISCUSSION BY THE HON'BLE COURT

The Court identified the specific disputed variable as total turnover in the section 80HHC formula. In the absence of a definition answering the issue, it used ordinary accounting and commercial meaning: sales/turnover concerned the goods in which the business dealt, rather than every disposal made during business. Sale of an old asset illustrated why not every receipt belonged in turnover (paragraphs 3-5, 17-21).

The particular scrap was unused raw material generated during utensil manufacture. Its proceeds could be shown separately or deducted from raw-material cost. The manufacturer primarily dealt in utensils, so this scrap was outside turnover; by contrast, a buyer whose business was dealing in scrap would include scrap resale proceeds in its turnover. The Court supported that distinction by ICAI guidance and the export-encouragement purpose of section 80HHC (paragraphs 22-28).

Nair appeared in paragraph 14 as an authority relied on by the assessee, with the concession that it did not directly decide this scrap issue. The Court did not expressly overrule Nair or separately decide the clause (baa) treatment of these receipts.

Source: [reported judgment / paragraphs 17-28 / PDF pages 9, 10, 11, 12, 13 / judicial text](#)

03 JUDICIAL DECISION

The local proceeds of this manufacturing scrap were excluded from total turnover for the section 80HHC computation. The lead Civil Appeal No. 5592/2008 was dismissed without costs. Civil Appeal Nos. 3283/2009, 4491/2009 and 4898/2010 were separately dismissed without costs because their legal issues were the same. No remand was ordered (paragraphs 29-31).

Source: [reported judgment / paragraphs 29-31 / PDF pages 14 / judicial text](#)

04 OUTCOME / IN WHOSE FAVOUR

In whose favour: Assessee on the total-turnover issue

All four identified civil appeals dismissed with no order as to costs

Final decision on the historical section 80HHC total-turnover issue

The holding concerns manufacturing scrap of a utensil business, not scrap-trading turnover, every incidental receipt, or a separate clause (baa) ruling. Companion fact patterns and years are not independently established.

Source: [reported judgment / paragraphs Reported connected appeals: 30-31 / PDF pages 5, 14 / reported metadata and judicial text](#)

05 AKHB REVIEW POINT

Start with what the business actually sells and what produced the receipt. The Court expressly contrasts incidental manufacturing scrap with a scrap dealer's ordinary sales. Exclusion from the total-turnover denominator does not make the receipt tax-exempt or settle every other step of the section 80HHC calculation.

The bounded original Nair paragraphs 18-20 separately address third-party cashew-processing charges: Nair requires the clause (baa) adjustment to business profits and inclusion of those charges in total turnover. That is an editorial, source-checked distinction between different receipts and computation questions, not a formal overruling or express judicial reconciliation by Punjab. Verify the actual assessment year and then-applicable statutory version; none is supplied here for the lead or companion appeals, and no present-law or 2025-Act carryover is certified.

Source: [reported judgment / paragraphs 5-7, 14, 22-24 and 29-31 / PDF pages 7, 9, 11, 14 / judicial text](#); [reported judgment / paragraphs Full paragraphs 18-20; bounded comparison / PDF pages 16, 17 / judicial text](#)

DETAILED DISPOSITION AND CONNECTED GROUPS

Issue results

1.

Issue: Lead Civil Appeal No. 5592 of 2008: inclusion of manufacturing scrap receipts in total turnover

Result: Excluded; Revenue appeal dismissed without costs

In whose favour: Punjab Stainless Steel Industries

Pinpoints

1.

Source url: [Open cited source](#)

Pdf pages: 11; 14

Paragraphs: 23-24 and 29-30

Source role: judicial text

2.

Issue: Civil Appeal Nos. 3283 of 2009, 4491 of 2009 and 4898 of 2010

Result: Each dismissed without costs on the same legal issue

In whose favour: Assesseees on the same legal issue

Pinpoints

1.

Source url: [Open cited source](#)

Pdf pages: 14

Paragraphs: 31

Source role: judicial text

ADDITIONAL STATUTORY CONTEXT, NOT SEPARATE HOLDINGS

44AB

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: 2007_11_1097_1117

Earlier case title: Commissioner, Income Tax, Thiruvananthapuram v. K. Ravindranathan Nair

Later case id: sc-2014-05-05-punjab-stainless-steel

Relationship: cited in assessee submission with separate editorial receipt specific comparison

Evidence

1.

Source url: [Open cited source](#)

Pdf pages: 9

Paragraphs: 14; submission rather than express overruling

Source role: judicial text

2.

Source url: [Open cited source](#)

Pdf pages: 11

Paragraphs: 22-24

Source role: judicial text

3.

Source url: [Open cited source](#)

Pdf pages: 16; 17

Paragraphs: 18-20

Source role: judicial text

Scope limit: The earlier original processing-charge discussion and later manufacturing-scrap reasoning were actually read. Punjab does not expressly overrule Nair; this is not a comprehensive subsequent-treatment audit.

SOURCE & VERIFICATION

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

Identified source rendition: 14 PDF pages; SHA-256

6a816303497651e4cf9c6c828dd62736e49aa9a77ab1d9d72bc69f77e342f4df. Original bytes preserved.

Judicial paragraphs 1-31 on physical PDF pages 6-14 (SCR 734-742), fully read. Pages 1-5 and opening of page 6 are editorial headnote, references, jurisdiction and appearances. No adjacent judgment.

[Open cited source rendition](#)

The judicial text refers to the relevant assessment year without identifying its year; no lead or companion year is guessed. The earlier Nair comparison concerns a separate AY 1993-94 case and does not establish the year here.

The adjudicated question concerns total turnover in the historical section 80HHC computation. Section 44AB occurs only in the title of ICAI's accounting guidance considered by the Court; no section 44AB tax-audit issue is decided. Clause (baa) is part of the bounded earlier Nair comparison, not a separately decided Punjab issue.

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.; No assessment year is numerically identified in the primary judicial text. The earlier Nair AY must not be imported into this case.; Physical page 3 carries an anomalous printed page number in the editorial material; all citations here use verified physical PDF pages and judicial paragraph numbers.; Nair's extracted text is malformed on several unrelayed pages. This comparison is limited to visually checked pages 16-17 and full paragraphs 18-20; no complete new Nair review is represented.; The source title is retained in its reported abbreviated Commnr. form.

The lead Revenue appeal is from Delhi High Court ITA No. 520/2006, judgment dated 19 January 2007. The report's connected list and paragraph 31 identify three further appeals and state that their legal issues are the same. Separate companion facts, party names and assessment years are not supplied.

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: 14](#)

SHA-256: 6a816303497651e4cf9c6c828dd62736e49aa9a77ab1d9d72bc69f77e342f4df

[reported judgment - PDF pages: 21](#)

SHA-256: 0bb5f24c0b1e561263d684774755d8efd0674d3aa3ea749643efd25c4d3a8d04

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