

Commissioner of Income Tax, Gauhati & Ors. v. M/s. Sati Oil Udyog Ltd. & Anr.

Civil Appeal No. 9133 of 2003 / Civil Appeal No. 9134 of 2003 / Civil Appeal No. 9135 of 2003

[2015] 2 SCR 1099 | 2015-03-24

Whether the retrospective 1993 amendment to historical section 143(1A), expressly extending additional income tax to reduction of returned losses or conversion of loss into income, is valid, and whether the provision can reach honest assessee without a proved attempt to evade lawfully payable tax.

143(1A) | 143(1)(a) | 2(24)

Two-judge bench | A. K. Sikri, J. | Rohinton Fali Nariman, J.

Assessment years: 1989-90, 1991-92

Historical additional-tax provision and qualified Revenue success

Sati Oil upholds the retrospective 1993 clarification of historical section 143(1A), subject to proof of an attempt to evade lawfully payable tax, with the burden on Revenue. It is not an automatic levy or a universal mens rea rule for all civil penalties. The three appeals were allowed without an express remand or independent finding of attempted evasion. The statutory 20% refers to the relevant tax calculation, not simply the loss adjustment. Preserved source URLs have not been newly live-validated; comprehensive later treatment, present-law application and any Income-tax Act, 2025 mapping remain unverified.

01 FACTS OF THE CASE

For AYs 1989-90 and 1991-92 the respondent returned losses of Rs. 1,94,13,440 and Rs. 1,80,22,480. An order dated 14 December 1992 levied additional tax of Rs. 5,62,490 and Rs. 8,09,290 under section 143(1A). Two writ petitions attacked the provision and the order. The Gauhati High Court's Single Judge upheld the 1993 amendment prospectively but invalidated its retrospective operation on losses as arbitrary and unreasonable; the Division Bench affirmed. Revenue appealed in this three-appeal group (paragraphs 1-4; reported appeal list).

Revenue argued that "income" already included losses, so the amendment was clarificatory. On questioning, its counsel accepted that the provision had to be read in light of the object of preventing tax evasion. Paragraph 5 states that nobody appeared for the respondents despite service (paragraph 5).

Source: [reported judgment](#) / [paragraphs 1-5](#) / [PDF pages 4, 5](#) / [judicial text](#)

02 DISCUSSION BY THE HON'BLE COURT

The Court read the inclusive income definition and earlier authority as covering negative income as well as profits. The original adjustment mechanism itself referred to income or loss. The 1993 substitution, effective from 1 April 1989, therefore clarified an existing reach rather than first imposing the additional levy on losses. The statutory loss-case formula is 20% of the tax that would be chargeable on the adjustment treated as total income, not 20% of the raw loss reduction (paragraphs 5-17).

That conclusion did not make the levy automatic. A literal application would catch honest returns alongside evasive ones. The Court discussed Hindustan Electro Graphites and the reservations about that decision in J. K. Synthetics, observing that the present appeals, unlike the latter setting, contained a constitutional challenge. Drawing on K. P. Varghese's purposive construction, it confined section 143(1A) to cases where the lesser amount stated in the return was found on facts to result from an attempt to evade tax lawfully payable. Revenue bears the burden and may discharge it by facts and circumstances supporting a reasonable inference of that attempt (paragraphs 18-22).

The cited civil-liability reasoning concerning Article 20(1) addresses the constitutional objection to retrospective fiscal penalties. It does not produce a holding that every civil penalty requires mens rea, nor does this case adjudicate the elements of unrelated penalty sections (paragraphs 16, 20-22).

Source: [reported judgment / paragraphs 5-22; statutory texts, clarification and evasion limitation / PDF pages 6, 7, 8, 9, 10, 11, 12, 13, 14, 15, 16, 17, 18, 19, 20, 21, 22, 23, 24 / judicial text](#)

03 JUDICIAL DECISION

Subject to the limiting construction requiring a factually established attempt to evade lawfully payable tax, the Court upheld the retrospective clarificatory amendment, allowed all three Revenue appeals and set aside the Gauhati High Court judgments. No costs were ordered. The judgment contains no express remand, quantified reassessment direction or independent finding that this respondent actually attempted evasion; the appeal success must be recorded together with the binding limitation (paragraph 22).

Source: [reported judgment / paragraphs 22 / PDF pages 23, 24 / judicial text](#)

04 OUTCOME / IN WHOSE FAVOUR

In whose favour: Revenue on retrospective validity, subject to taxpayer-protective statutory construction

All three listed Revenue appeals allowed; Gauhati High Court judgments set aside; no costs

Retrospective validity sustained conditionally on the stated construction of historical section 143(1A)

Not an automatic confirmation of the narrated amounts on a fresh factual finding; no express remand or separate intent determination. The attempt-to-evade requirement belongs to this provision and is not a universal mens rea rule for all civil tax penalties.

Source: [reported judgment / paragraphs Reported appeal list: 22 / PDF pages 3, 4, 23, 24 / judicial text](#)

05 AKHB REVIEW POINT

For a historical section 143(1A) file, separate statutory validity from factual liability. Identify the relevant return, the particular prima-facie adjustment, the contemporaneous law and the evidence said to support attempted evasion. A reduced loss or increased income alone does not discharge the Revenue burden stated in paragraph 22. Calculate the statutory additional levy on the relevant tax base; the judgment does not impose a flat 20% of the accounting adjustment.

Avoid translating this provision-specific construction into a general requirement of mens rea for every civil penalty, or treating allowance of Revenue's appeals as an express factual finding of evasion by the respondent. The case concerns the 1989/1993 statutory scheme and narrated AYs 1989-90 and 1991-92; it is not a certificate governing present-day processing, penalty provisions, or the Income-tax Act, 2025. No comprehensive later-treatment audit is supplied.

Source: [reported judgment / paragraphs 6, 17-22 / PDF pages 7, 8, 17, 18, 19, 23, 24 / judicial text](#)

DETAILED DISPOSITION AND CONNECTED GROUPS

Issue results

1.

Issue: Retrospective clarification reaching returned losses

Result: Upheld; income already included losses and the original adjustment provision contemplated them

In whose favour: Revenue

Pinpoints

1.

Source url: [Open cited source](#)

Pdf pages: 7; 8; 10; 11; 12; 13; 14; 17; 24

Paragraphs: 6, 9-13, 17, 22

Source role: judicial text

2.

Issue: Automatic additional tax for every adverse adjustment

Result: Rejected: a factual attempt to evade lawfully payable tax is required; Revenue bears the burden

In whose favour: Assessee as a limiting construction

Pinpoints

1.

Source url: [Open cited source](#)

Pdf pages: 17; 18; 19; 23; 24

Paragraphs: 18-22

Source role: judicial text

3.

Issue: Common appeal disposition

Result: Three appeals allowed, High Court judgments set aside, no costs; no express remand

In whose favour: Revenue subject to construction

Pinpoints

1.

Source url: [Open cited source](#)

Pdf pages: 3; 4; 23; 24

Paragraphs: Reported appeal list; 22

Source role: judicial text

ADDITIONAL STATUTORY CONTEXT, NOT SEPARATE HOLDINGS

52(2)

JUDICIAL AUTHORSHIP AND SEPARATE OPINIONS

R. F. Nariman, J.

ACT IDENTIFIED IN THE REVIEWED SOURCE

Income-tax Act, 1961

SOURCE & VERIFICATION

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

Identified source rendition: 24 PDF pages; SHA-256

a5be27b00de327c27bc9fe3f820b6f728f8b9bf274de0137993aecfb67aff166. Original bytes preserved.

Judicial paragraphs 1-22 on physical pages 4-24 (SCR 1102-1122), fully read, including statutory extracts and quoted precedents. Pages 1-3 and opening of page 4 contain editorial headnote, references, jurisdiction, appeal list and appearances. No adjacent judgment.

[Open cited source rendition](#)

These are the respondent's two narrated return years in paragraph 3. No additional year for companion CA 9135/2003 is supplied; years in statutory history and quoted authorities are not added as batch facts.

The issue is historical section 143(1A), particularly clause (a) as substituted by Finance Act, 1993 retrospectively from 1 April 1989, read with the then section 143(1)(a) adjustment mechanism. Section 52(2) is discussed through K. P. Varghese as an interpretive analogy; it is not a capital-gains assessment in this batch. Discussion of civil penalties and Article 20(1) comes through the cited sales-tax decision.

The acquisition index describes a one-judge bench and names only A. K. Sikri. Physical page 1 expressly names A. K. Sikri and Rohinton Fali Nariman; physical page 4 identifies Nariman as author. The note corrects that index metadata from the source image.; Paragraph 10 visibly prints Income Tax Act, 1995; the judgment's actual controversy and paragraphs 1 and 6 concern the Income-tax Act, 1961. This apparent source typo is not adopted as a separate statute.; The reported appearances name respondent counsel, while judicial paragraph 5 states that no respondent appeared despite service. The factual description follows the judicial text and preserves the discrepancy.; Unchanged reported eSCR rendition from the preserved public mirror; no fresh official signed rendition, comprehensive later-treatment check or live-link validation claimed.

The report groups CA 9133-9134/2003 and separately lists CA 9135/2003; the common paragraph 22 allows the appeals. The narrated two-year facts are not separately attributed to each of the three appeal numbers, and no individual matching is invented.

STATUTORY SCOPE

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

LATER TREATMENT

Source checked 2026-10-04. No comprehensive later-treatment or present-law audit has been performed. Any source-checked comparison is expressly bounded.

IDENTIFIED SOURCE LINKS

[reported judgment - PDF pages: 24](#)

SHA-256: a5be27b00de327c27bc9fe3f820b6f728f8b9bf274de0137993aecfb67aff166

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