

Plastiblends India Limited v. Addl. Commissioner of Income Tax, Mumbai & Anr.

Civil Appeal No. 238 of 2012 and connected proceedings (full list below)

[2017] 10 SCR 104 | 2017-10-09

Whether eligible profits for the historical section 80-IA deduction could be calculated without depreciation because the assessee elected not to claim it under section 32 when computing business income.

80-IA [historical version applicable to the years in issue] | 32 | 80A | 80AB | 80B(5)

Two-judge bench | A. K. Sikri, J. | Ashok Bhushan, J.

Assessment years: 1997-98, 1998-99, 1999-2000, 2000-01

Historical section 80-IA computation and express reservation

The ruling requires depreciation when calculating the profit-linked section 80-IA deduction in its historical setting. It is not a universal no-option depreciation rule. Paragraph 19 expressly leaves Explanation 5 to section 32's temporal operation undecided. Verify the relevant statutory version and later treatment; no automatic Income-tax Act, 2025 mapping is made.

01 FACTS OF THE CASE

Plastiblends manufactured master batches and compounds at Daman Units I and II, which began production in the previous years relevant to AYs 1994-95 and 1995-96. The lead appeal concerned AYs 1997-98 to 2000-01. For the illustrated AY 1997-98, both units were eligible for a 100% section 80-IA profit deduction. The assessee omitted tax depreciation in computing business income and claimed the deduction on that higher profit figure, producing nil total income (paragraphs 2-3).

On reassessment the Assessing Officer took depreciation into account. The Commissioner (Appeals) accepted the assessee's optional-depreciation argument based on the Tribunal's earlier AY 1996-97 decision, but the Tribunal reversed. Following a reference arising from differing Bombay High Court decisions, the Full Bench held that depreciation must be accounted for in calculating the section 80-IA deduction, and the Division Bench disposed of the appeal accordingly. The assessee appealed to the Supreme Court (paragraphs 3-4). Eligibility for the 100% deduction in the years under appeal was conceded; the dispute was computation, not initial qualification (paragraph 6).

Source: [reported judgment](#) / [paragraphs 2-6](#) / [PDF pages 5, 6, 7, 8](#) / [judicial text](#)

02 DISCUSSION BY THE HON'BLE COURT

The assessees relied on Mahendra Mills, which had construed sections 32 and 34 in their historical Chapter IV setting as allowing a choice whether to claim depreciation. They contended that the same choice should preserve a higher profit base for section 80-IA. Revenue defended the Full Bench's distinct profit-linked computation and separately argued that the later Explanation 5 to section 32 was declaratory and retrospective; the assessees argued for prospective effect from 1 April 2002 (paragraphs 1 and 6-10).

The Court agreed with the Full Bench's analysis of Chapter VI-A and the cited Supreme Court decisions. Section 80-IA supplies a self-contained profit-linked deduction scheme, including its computation rules. Its quantum must be calculated after the deductions allowable under sections 30-43D, including depreciation. Mahendra Mills did not establish a right to inflate this separate incentive by disclaiming depreciation in the business-income computation (paragraphs 12-18).

The assessees sought a 100% profit deduction while preserving depreciation for use in later years. That method would inflate the eligible profit-linked incentive and was incompatible with the statutory scheme. Having decided the section 80-IA issue on that ground, the Court found it unnecessary to determine whether Explanation 5 was declaratory or operated prospectively (paragraphs 18-19).

Source: [reported judgment / paragraphs 6-10, parties' submissions / PDF pages 8, 9, 10, 11 / judicial text](#); [reported judgment / paragraphs 11-19, Court discussion and quoted authorities / PDF pages 12, 13, 14, 15, 16, 17, 18 / judicial text](#)

03 JUDICIAL DECISION

The Court approved the Full Bench's conclusion that depreciation must be taken into account when computing the eligible profits and quantum of the historical section 80-IA deduction, whether or not the assessee had claimed it. All assessees' appeals were dismissed. The temporal effect of Explanation 5 to section 32 was expressly not decided (paragraphs 17-20).

Source: [reported judgment / paragraphs 17-20 / PDF pages 17, 18 / judicial text](#)

04 OUTCOME / IN WHOSE FAVOUR

In whose favour: Revenue on section 80-IA computation

All assessees' appeals dismissed

Final historical section 80-IA computation ruling; separate Explanation 5 temporal question not decided

This is not a universal no-option rule for every depreciation claim, deduction scheme or assessment year. Eligibility was admitted. Explanation 5 retrospectivity/prospectivity was not adjudicated.

Source: [reported judgment / paragraphs 19-20 / PDF pages 18 / judicial text](#)

05 AKHB REVIEW POINT

Identify the exact deduction scheme and statutory year before using this case. Plastiblends concerns a profit-linked section 80-IA computation in which eligibility was admitted; its conclusion prevents a depreciation disclaimer from increasing that deduction while preserving the allowance for later years. That conclusion must not be rewritten as a universal proposition that an assessee never had any depreciation option.

Maintain a separate calculation of eligible industrial profits and apply the computation rules of the relevant historical version. Do not cite this judgment as resolving Explanation 5's retrospectivity: paragraph 19 expressly leaves it open. The lead manufacturer was not shown to be an infrastructure developer merely because the introductory discussion describes infrastructure among section 80-IA's categories. Subsequent law and treatment remain unverified.

Source: [reported judgment / paragraphs 2 / PDF pages 5 / judicial text](#); [reported judgment / paragraphs 5-6 and historical-version footnote / PDF pages 8 / judicial text](#); [reported judgment / paragraphs 17-19 / PDF pages 17, 18 / judicial text](#)

APPEAL AND PROCEEDING NUMBERS

Civil Appeal No. 238 of 2012 / Civil Appeal No. 540 of 2012 / Civil Appeal No. 528 of 2012 / Civil Appeal No. 529 of 2012 / Civil Appeal No. 531 of 2012 / Civil Appeal No. 532 of 2012 / Civil Appeal No. 530 of 2012 / Civil Appeal No. 535 of 2012 / Civil Appeal No. 536 of 2012 / Civil Appeal No. 533 of 2012 / Civil Appeal No. 534 of 2012 / Civil Appeal No. 537 of 2012 / Civil Appeal No. 538 of 2012 / Civil Appeal No. 543 of 2012 / Civil Appeal No. 544 of 2012 / Civil Appeal No. 541 of 2012 / Civil Appeal No. 542 of 2012 / Civil Appeal No. 546 of 2012 / Civil Appeal No. 545 of 2012 / Civil Appeal No. 547 of 2012 / Civil Appeal No. 548 of 2012 / Civil Appeal No. 539 of 2012 / Civil Appeal No. 550 of 2012 / Civil Appeal No. 549 of 2012 / Civil Appeal No. 551 of 2012 / Civil Appeal No. 12755 of 2017 / Civil Appeal No. 12828 of 2017 / Civil Appeal No. 12757 of 2017 / Civil Appeal No. 12758 of 2017 / Civil Appeal No. 12762 of 2017 / Civil Appeal No. 12980 of 2017

DETAILED DISPOSITION AND CONNECTED GROUPS

Issue results

1.

Issue: Depreciation in computing historical section 80-IA eligible profits

Result: Depreciation and other allowable sections 30-43D deductions must be accounted for; disclaimer cannot enlarge the profit-linked deduction

In whose favour: Revenue

Pinpoints

1.

Source url: [Open cited source](#)

Pdf pages: 17; 18

Paragraphs: 17-18

Source role: judicial text

2.

Issue: Reliance on Mahendra Mills for enhanced section 80-IA relief

Result: Inapplicable to the distinct section 80-IA computation; not treated as a general overruling of Mahendra Mills in its historical context

In whose favour: Revenue

Pinpoints

1.

Source url: [Open cited source](#)

Pdf pages: 12; 13

Paragraphs: 12-13

Source role: judicial text

2.

Source url: [Open cited source](#)

Pdf pages: 18

Paragraphs: 18

Source role: judicial text

3.

Issue: Explanation 5 to section 32: declaratory/retrospective or prospective

Result: Expressly unnecessary to decide; rival authorities on this issue not adjudicated

In whose favour: Not decided

Pinpoints

1.

Source url: [Open cited source](#)

Pdf pages: 18

Paragraphs: 19

Source role: judicial text

4.

Issue: Lead and connected appeals

Result: All assessee's appeals dismissed

In whose favour: Revenue

Pinpoints

1.

Source url: [Open cited source](#)

Pdf pages: 18

Paragraphs: 20

Source role: judicial text

ADDITIONAL STATUTORY CONTEXT, NOT SEPARATE HOLDINGS

28-43D [business-income computation framework]; 143(1)(a), 143(3), 147 and 260A [procedural history]; 32, Explanation 5 [retrospective/declaratory versus prospective effect expressly left undecided]; 34 [Mahendra Mills historical framework]; 35(1)(iv) [quoted illustration only]; 80-IB and 80HHC [quoted authorities, not separate deduction claims decided here]

JUDICIAL AUTHORSHIP AND SEPARATE OPINIONS

A. K. Sikri, J.

ACT IDENTIFIED IN THE REVIEWED SOURCE

Income-tax Act, 1961

SOURCE & VERIFICATION

Hon'ble Supreme Court source PDF (reported judgment)

Identified source rendition: 18 PDF pages; SHA-256

4bf725c4c2524e284537363ff7ce55a842fc09338e3a06e8592e03f67e5c83fe. Original bytes preserved.

Judgment paragraphs 1-20 and its footnotes on physical pages 4-18 (SCR 107-121), including quoted submissions and authorities; all text read. Pages 1-3 and opening of page 4 contain report/editorial identity or appearance material.

Open cited source rendition

Paragraph 2 gives AYs 1997-98 to 2000-01 for the lead Plastiblends appeal. AY 1996-97 is prior procedural history; 1994-95 and 1995-96 are commencement years of Daman Units I and II. Separate assessment years for every companion assessee are not supplied.

The reported jurisdiction page lists the lead appeal, twenty-four further 2012 appeals and six 2017 appeals. All are covered by the undifferentiated dismissal in paragraph 20.

The holding concerns mandatory depreciation in calculating profits for the historical section 80-IA deduction. The Court expressly leaves Explanation 5 to section 32's temporal operation undecided (paragraph 19). Quoted provisions from Liberty India/Williamson Financial Services are not separate merits issues in this batch.

The preserved eSCR-reported PDF is the reviewed rendition. No independently retrieved signed original is claimed.; The headnote's generic infrastructure-development description must not substitute for paragraph 2's actual facts: the lead assessee manufactured master batches and compounds at Daman.; The case addresses the historical section 80-IA version in issue. Statutory quotations within later authorities use their own subsection numbering; no automatic present-version mapping is made.; The numerical narrative in paragraph 3 does not reconcile on its face across the quoted gross-total-income, depreciation and brought-forward-loss figures. The note avoids reconstructing an assessment computation or silently correcting printed figures.; The Court distinguishes Mahendra Mills for this computation; it does not decide a freestanding universal depreciation-option issue.; Revenue's retrospective-Explanation-5 contention in paragraph 9 is a submission; paragraph 19 expressly leaves the question undecided.; Separate dates, years, facts and assessments for all companion assessees are not supplied; the dismissal is common.

STATUTORY SCOPE

Historical statutory setting 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. Authorities discussed or quoted in this judgment are described only within its own reasons; no independently verified cross-judgment treatment link is claimed.

IDENTIFIED SOURCE LINKS

reported judgment - PDF pages: 18

SHA-256: 4bf725c4c2524e284537363ff7ce55a842fc09338e3a06e8592e03f67e5c83fe

AI DISCLOSURE

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