

B. L. Passi v. Commissioner of Income Tax, Delhi

Civil Appeal No. 3892 of 2007

[2018] 3 SCR 496 | 2018-04-24

Was the assessee entitled to section 80-O deduction for payments from Sumitomo Corporation, Japan, allegedly earned by supplying specialized industrial and commercial information and technical assistance concerning the Indian automobile industry?

80-O

Two-judge bench | R. K. Agrawal, J. | Abhay Manohar Sapre, J.

Assessment years: 1997-98

Historical section 80-O and fact-specific failure of proof

This note concerns AY 1997-98 and the unamended section 80-O reproduced in the judgment. The deduction failed on the particular missing evidence and principal-agent arrangement; current deduction availability, later amendments and subsequent treatment have not been certified.

01 FACTS OF THE CASE

For AY 1997-98, B. L. Passi, sole proprietor of Pasco International, returned income of Rs. 57,40,360 and claimed a section 80-O deduction of Rs. 58,87,045 on gross foreign-exchange receipts of Rs. 1,17,74,090 from Sumitomo Corporation, Japan, as stated in paragraphs 2(a) and 10. Sumitomo sought to supply dies for body parts to Indian automobile manufacturers. The arrangement contemplated market and manufacturer information, product-development suggestions, support for manufacture in Japan, and advice on Indian import/sale laws. Passi claimed that his expertise and assistance secured Sumitomo's TELCO SAFARI project order (paragraphs 8-10).

The agreed service charge was 5% of the contractual amount between Sumitomo and its Indian customers on sales of products so developed, with remuneration dependent on a positive result from the supplied commercial and industrial information. The Assessing Officer rejected the deduction in the assessment of 27 March 2000. CIT(A) allowed the deduction on 20 February 2002; the Tribunal reversed on 10 October 2005. Delhi High Court dismissed I.T. Appeal No. 1198 of 2006 on 13 December 2006, and Passi appealed to the Supreme Court (paragraphs 1-2, 17).

Source: [reported judgment / paragraphs 1-2, 8-10, 17 / PDF pages 4, 5, 6, 7, 10, 11 / judicial text](#)

02 DISCUSSION BY THE HON'BLE COURT

The Court reproduced the unamended section 80-O and discussed its encouragement of Indian technical know-how and foreign-exchange earnings. The statutory extract includes qualifying information and technical/professional services, foreign-exchange conditions, and the explanation distinguishing services rendered from India from those rendered in India (paragraphs 11-12).

The claim rested principally on blueprints for dies used to stamp doors. No copy was produced before the Assessing Officer, CIT(A) or Tribunal, and the record did not show how the blueprints were obtained or dispatched. The Court required evidence of the documents and services for which relief was claimed. It did not rule that blueprints were inherently incapable of being technical assistance: with their description on record they could be considered, but their absence left the assessee's claimed assistance unproved (paragraphs 13-16).

The conditional 5% remuneration also lacked an evidentiary link to qualifying output. There was no material proving that Sumitomo developed products from the supplied blueprints or information, sold such products to its Indian customers, or showing how the service charges were computed. On these facts the Court regarded Passi as a managing agent, held that he had not established technical services within section 80-O, and agreed with the High Court's principal-agent characterization. The exchanged letters did not suffice to establish this claim (paragraphs 17-19).

Source: [reported judgment / paragraphs 11-19 / PDF pages 7, 8, 9, 10, 11 / judicial text](#)

03 JUDICIAL DECISION

The section 80-O deduction was denied on the record. The assessee's Civil Appeal No. 3892 of 2007 was dismissed, with no order as to costs (paragraphs 18-20).

Source: [reported judgment / paragraphs 18-20 / PDF pages 11 / judicial text](#)

04 OUTCOME / IN WHOSE FAVOUR

In whose favour: Revenue

Assessee appeal dismissed; no order as to costs

Final denial of the claimed section 80-O deduction on the evidence and arrangement considered

The Court expressly tied the managing-agent conclusion to the present facts. It did not hold that any commission label, any service rendered from India, or every blueprint-based service is necessarily ineligible.

Source: [reported judgment / paragraphs 13-20 / PDF pages 9, 10, 11 / judicial text](#)

05 AKHB REVIEW POINT

A qualifying-sounding agreement and receipt in foreign exchange do not replace evidence of the work actually supplied and the basis of payment. For this historical claim the missing chain was concrete: identifiable blueprints, supply/use, products developed from that information, resulting sales, and computation of the conditional 5% fee. Read the Court's managing-agent conclusion with that record; do not convert it into a universal proposition excluding commissions or services rendered from India. The note applies only to the historical section 80-O text considered for AY 1997-98.

Source: [reported judgment / paragraphs 11 explanation \(iii\), 13, 16-19 / PDF pages 8, 9, 10, 11 / judicial text](#)

DETAILED DISPOSITION AND CONNECTED GROUPS**Issue results**

1.

Issue: Proof of the alleged technical assistance

Result: Not established: blueprint copies/descriptions and their provenance and dispatch were not proved on the record

In whose favour: Revenue

Pinpoints

1.

Source url: [Open cited source](#)

Pdf pages: 9; 10

Paragraphs: 13-16

Source role: judicial text

2.

Issue: Link between the services, developed products, sales and 5% remuneration

Result: Not established; letters alone did not supply the missing evidentiary basis

In whose favour: Revenue

Pinpoints

1.

Source url: [Open cited source](#)

Pdf pages: 10; 11

Paragraphs: 17-19

Source role: judicial text

3.

Issue: Section 80-O deduction and appeal

Result: Deduction denied and appeal dismissed without costs

In whose favour: Revenue

Pinpoints

1.

Source url: [Open cited source](#)

Pdf pages: 11

Paragraphs: 18-20

Source role: judicial text

ADDITIONAL STATUTORY CONTEXT, NOT SEPARATE HOLDINGS

143(2); 143(3); 85C

JUDICIAL AUTHORSHIP AND SEPARATE OPINIONS

R. K. Agrawal, J.

ACT IDENTIFIED IN THE REVIEWED SOURCE

Income-tax Act, 1961

SOURCE & VERIFICATION

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

Identified source rendition: 11 PDF pages; SHA-256

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Paragraphs 1-20 on physical pages 4-11; preceding pages are editorial headnote, identity and appearance material. No neighbouring judgment text included.

[Open cited source rendition](#)

Expressly identified in paragraph 2(a).

The sole question is section 80-O deduction under the unamended text reproduced in paragraph 11. Sections 143(2)/(3) are procedural background; section 85C appears only in the historical discussion.

The full reported judicial text, rather than the editorial headnote, was read. No separately acquired signed original is claimed for this case.; Paragraphs 2(a) and 10 state gross receipts of Rs. 1,17,74,090, whereas paragraph 9 prints Rs. 1,17,73,940 for the project-related services. The Rs. 150 difference is preserved as a source discrepancy; the return/deduction figures above follow paragraphs 2(a) and 10.; Paragraph 12 contains compressed and potentially confusing statutory-history wording concerning section 85C and the 1967/1971 Finance Acts. It is not used to certify a legislative amendment timeline.; The J.K. (Bombay) passage in paragraph 15 is quoted authority within this judgment, not an independent comprehensive review of that case or a general modern technical-services test.; The unamended section 80-O text is historical; no current availability of this deduction or automatic 2025 mapping is certified.

STATUTORY SCOPE

Historical assessment-year and statutory setting only. No automatic mapping to the Income-tax Act, 2025.

LATER TREATMENT

Source checked 2026-10-04. No comprehensive subsequent-treatment or current-law search has been performed. Authorities discussed in the judgment are reported as its own reasoning, not as a separately verified later-treatment chain.

IDENTIFIED SOURCE LINKS

[reported judgment - PDF pages: 11](#)

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