

Commissioner of Income Tax, Central-III v. HCL Technologies Ltd.

Civil Appeal Nos. 8489-8490 of 2013 and connected proceedings (full list below)

[2018] 7 SCR 1079 | 2018-04-24

For the section 10A export-profit computation, must delivery-related expenses and foreign-exchange technical-service expenses excluded from export turnover also be excluded from total turnover; and was the attempted separation of offshore software-development work supported by the record?

10A | 10A, Explanation 2(iv)

Two-judge bench | R. K. Agrawal, J. | R. Banumathi, J.

Assessment years: 2004-05

Historical section 10A computation only

This AY 2004-05 judgment requires consistent numerator and denominator treatment within section 10A. It does not certify present eligibility or extend automatically to other incentive sections or the Income-tax Act, 2025. Check the applicable year and statutory regime.

01 FACTS OF THE CASE

HCL developed and exported computer software and supplied customized software-development services through two Software Technology Park units at Gurgaon. The lead facts concern AY 2004-05. The Assessing Officer attributed 60% of software-development charges to technical services outside India; the Commissioner (Appeals) substituted a 10% estimate despite recording the lack of evidence of independent technical services. The Tribunal allowed HCL's appeal and dismissed Revenue's cross-appeal; the Delhi High Court dismissed Revenue's appeal (paragraphs 2-3 and 10-13).

The computational dispute was whether amounts excluded from export turnover also had to leave the total-turnover denominator. Revenue sought a gross ordinary or technical meaning of total turnover, whereas HCL sought consistent treatment of the export component in numerator and denominator (paragraphs 5-9).

Source: [reported judgment / paragraphs 3, 5-9, 10-13 / PDF pages 6, 7, 9, 10 / judicial text](#)

02 DISCUSSION BY THE HON'BLE COURT

On the factual attribution, the Court noted that customized software development may require personnel at a foreign customer's site, including work to make delivered software functional. The Assessing Officer had produced no evidence of technical services independent of software development. The Court did not create a universal percentage allocation for offshore work (paragraphs 11-12).

Neither section 10A nor section 2 defined total turnover. Definitions confined to sections 80HHC and 80HHE were not automatically imported into section 10A. The meaning had to fit this deduction's statutory context: export turnover is itself a component of total turnover. An asymmetric calculation would distort the export-profit fraction (paragraphs 8-10 and 13-17).

The formula in paragraph 18 uses business profit multiplied by export turnover as defined in Explanation 2(iv), divided by that export turnover plus domestic sale proceeds. Therefore, freight, telecommunication and insurance attributable to delivering computer software, when excluded from export turnover, must also be excluded from total turnover. The same parity applies to expenses incurred in foreign exchange for technical services outside India (paragraphs 18-21).

Source: [reported judgment / paragraphs 8-21 / PDF pages 8, 9, 10, 11, 12, 13 / judicial text](#)

03 JUDICIAL DECISION

Revenue's appeals were dismissed as devoid of merit. The section 10A computation must exclude the identified items from total turnover consistently with their exclusion from export turnover. All connected matters and any interlocutory applications were disposed of without an order as to costs (paragraphs 19-22).

Source: [reported judgment / paragraphs 19-22 / PDF pages 13 / judicial text](#)

04 OUTCOME / IN WHOSE FAVOUR

In whose favour: Assessee

Revenue appeals dismissed; connected matters and interlocutory applications disposed of; no order as to costs

Final section 10A computation decision

Applies to the section 10A formula and identified export-turnover exclusions. It does not decide eligibility under every export incentive or permit arbitrary deductions from every turnover measure. No standard 10% or 60% technical-service allocation is approved.

Source: [reported judgment / paragraphs 19-22 / PDF pages 13 / judicial text](#)

05 AKHB REVIEW POINT

Reconcile the export-turnover exclusions with the export component in total turnover, item by item. Keep evidence distinguishing software-development delivery work from any genuinely separate technical service; do not replace that inquiry with a fixed percentage. The judgment supplies a parity rule within section 10A, not a general turnover rewrite for all deductions.

This is a historical AY 2004-05 computation decision. Entitlement, applicable statutory version, time limits and any different incentive provision require their own review. Do not carry the result automatically into section 10AA, another deduction regime or the Income-tax Act, 2025.

Source: [reported judgment / paragraphs 11-14 and 17-22; editorial application / PDF pages 10, 11, 12, 13 / judicial text](#)

APPEAL AND PROCEEDING NUMBERS

Civil Appeal Nos. 8489-8490 of 2013 / Civil Appeal Nos. 8535 & 8555-8556 of 2013 / Civil Appeal Nos. 7853 & 8789 of 2012 / Civil Appeal Nos. 8559, 8558, 8529-8530, 8515, 8557, 8524, 8518, 8525 & 8539 of 2013 / Civil Appeal No. 4392 of 2018 / Civil Appeal Nos. 8562 & 8533 of 2013 / Civil Appeal No. 7854 of 2012 / Civil Appeal No. 8560 of 2013 / Civil Appeal No. 4393 of 2018 / Civil Appeal Nos. 8537, 8543, 8492, 8540-8541, 8542, 8551, 8494, 8527 of 2013 / Civil Appeal No. 4543 of 2014 / Civil Appeal Nos. 8536, 8500, 8506, 8553, 8499, 8526, 8501, 8538, 8491 of 2013 / Civil Appeal No. 1098 of 2016 / Civil Appeal Nos. 8505, 8510, 8513, 8507, 8504, 8503, 8519, 8927 of 2013 / Civil Appeal No. 8791 of 2012 / Civil Appeal Nos. 8528, 8523, 8554, 8509, 8521-8522, 147 of 2013 / Civil Appeal No. 8912 of 2012 / Civil Appeal No. 6594 of 2015 / Civil Appeal Nos. 8561, 8531, 8544, 8550, 8545 of 2013 / Civil Appeal No. 4394 of 2018 / Civil Appeal No. 8929 of 2013 / Civil Appeal No. 1099 of 2016 / Civil Appeal No. 10830 of 2014 / Civil Appeal No. 4395 of 2018 / Civil Appeal Nos. 8552, 8495, 8493 of 2013 / Civil Appeal No. 4557 of 2018 / Civil Appeal No. 4537 of 2018 / Civil Appeal No. 9202 of 2013 / Civil Appeal Nos. 4538 & 4396-4397 of 2018 / Civil Appeal No. 4293 of 2014 / Civil Appeal Nos. 4443 & 4540 of 2018 / Civil Appeal No. 9167 of 2016 / Civil Appeal Nos. 4444, 4445, 4447 of 2018 / Civil Appeal Nos. 646-647 of 2015 / Civil Appeal Nos. 4398 & 4399 of 2018 / Civil Appeal No. 77 of 2015 / Civil Appeal Nos. 4450, 4452 4541 & 4455 of 2018 / Civil Appeal No. 1951 of 2015 / Civil Appeal Nos. 4544, 4458, 4400, 4542 & 4461 of 2018 / Civil Appeal No. 9250 of 2015 / Civil Appeal No. 4464 of 2018 / Civil appeal No. 4427 of 2016 / Civil Appeal No. 4611 of 2018 / Civil Appeal No. 9319 of 2016 / Civil Appeal No. 2999 of 2017 / Civil Appeal No. 4614 of 2018 / Civil Appeal No. 2998 & 3059 of 2017 / Civil Appeal No. 4612 of 2018 / Civil Appeal No. 11716 of 2016 / Civil Appeal No. 4613 of 2018 / Civil Appeal Nos. 911, 3948, 2419, 1535, 1536, 3797, 2420, 3060, 3275 & 3651 of 2017

DETAILED DISPOSITION AND CONNECTED GROUPS

Issue results

1.

Issue: Freight, telecommunication and insurance excluded from export turnover

Result: Exclude corresponding amounts from total turnover for the section 10A computation

In whose favour: Assessee

Pinpoints

1.

Source url: [Open cited source](#)

Pdf pages: 12; 13

Paragraphs: 18-20

Source role: judicial text

2.

Issue: Foreign-exchange technical-service expenses

Result: Apply the same numerator-denominator parity

In whose favour: Assessee

Pinpoints

1.

Source url: [Open cited source](#)

Pdf pages: 13

Paragraphs: 21

Source role: judicial text

3.

Issue: Independent offshore technical-service attribution

Result: Court records that the Assessing Officer had not established independent technical services; no universal percentage rule

In whose favour: Assessee on this record

Pinpoints

1.

Source url: [Open cited source](#)

Pdf pages: 10

Paragraphs: 11-12

Source role: judicial text

ADDITIONAL STATUTORY CONTEXT, NOT SEPARATE HOLDINGS

2; 80HHC, Explanation (ba); 80HHE; 143

JUDICIAL AUTHORSHIP AND SEPARATE OPINIONS

R. K. Agrawal, J.

ACT IDENTIFIED IN THE REVIEWED SOURCE

Income-tax Act, 1961

COMPANION CASE SCHEDULE AS REPORTED

Civil Appeal Nos. 8535 & 8555-8556 of 2013, Civil Appeal Nos. 7853 & 8789 of 2012, Civil Appeal Nos. 8559, 8558, 8529-8530, 8515, 8557, 8524, 8518, 8525 & 8539 of 2013, Civil Appeal No. 4392 of 2018, Civil Appeal Nos. 8562 & 8533 of 2013, Civil Appeal No. 7854 of 2012, Civil Appeal No. 8560 of 2013, Civil Appeal No. 4393 of 2018, C Civil Appeal Nos. 8537, 8543, 8492, 8540-8541, 8542, 8551, 8494, 8527 of 2013, Civil Appeal No. 4543 of 2014, Civil Appeal Nos. 8536, 8500, 8506, 8553, 8499, 8526, 8501, 8538, 8491 of 2013, Civil Appeal No. 1098 of 2016, Civil Appeal Nos. 8505, 8510, 8513, 8507, 8504, 8503, 8519, 8927 of 2013, Civil Appeal No. 8791 of 2012, Civil Appeal Nos. 8528, 8523, 8554, 8509, 8521-8522, 147 of 2013, Civil Appeal No. 8912 of 2012, Civil Appeal No. 6594 of 2015, Civil Appeal Nos. 8561, 8531, 8544, 8550, 8545 of 2013, Civil Appeal No. 4394 of 2018, Civil Appeal No. 8929 of 2013, Civil Appeal No. 1099 of 2016, Civil Appeal No. 10830 of 2014, Civil Appeal No. 4395 of 2018, Civil Appeal Nos. 8552, 8495, 8493 of 2013, Civil Appeal No. 4557 of 2018, Civil Appeal No. 4537 of 2018, Civil Appeal No. 9202 of 2013, Civil Appeal Nos. 4538 & 4396-4397 of 2018, Civil Appeal No. 4293 of 2014, Civil Appeal Nos. 4443 & 4540 of 2018, Civil Appeal No. 9167 of 2016, Civil Appeal Nos. 4444, 4445, 4447 of 2018, Civil Appeal Nos. 646-647 of 2015, Civil Appeal Nos. 4398 & 4399 of 2018, Civil Appeal No. 77 of 2015, Civil Appeal Nos. 4450, 4452 4541 & 4455 of 2018, Civil Appeal F No. 1951 of 2015, Civil Appeal Nos. 4544, 4458, 4400, 4542 & 4461 of 2018, Civil Appeal No. 9250 of 2015, Civil Appeal No. 4464 of 2018, Civil appeal No. 4427 of 2016, Civil Appeal No. 4611 of 2018, Civil Appeal No. 9319 of 2016, Civil Appeal No. 2999 of 2017, Civil Appeal No. 4614 of 2018, Civil Appeal No. 2998 & 3059 of 2017, Civil Appeal No. 4612 of 2018, Civil Appeal No. 11716 of 2016, Civil Appeal G No. 4613 of 2018, Civil Appeal Nos. 911, 3948, 2419, 1535, 1536, 3797, 2420, 3060, 3275 & 3651 of 2017.

SOURCE & VERIFICATION

Hon'ble Supreme Court source PDF (reported judgment)

Identified source rendition: 13 PDF pages; SHA-256

2cdbf596a7ae28676a192d33f034b4d850667c5c59a61b07471bc50943742920. Original bytes preserved.

Judicial paragraphs 1-22 on physical PDF pages 5-13; earlier pages are editorial headnote, reported identity, jurisdiction and appearances. No adjacent judgment.

Open cited source rendition

Reported SCR title/date/bench and jurisdiction checked in preserved PDF. Catalogue-supplied retrospective INSC identifier is not treated as an independently verified neutral citation.

2004-05 is the assessment year stated for the lead factual case; separate assessment years for connected appeals are not identified in the bounded judgment.

The complete connected-appeal schedule is preserved verbatim in companion_case_schedule; the lead pair must not be reduced to catalogue Civil Appeal No. 8489 alone.

The reported paragraph 2 refers to an ITAT order dated 30 March 2007, whereas paragraph 3(e) refers to 23 January 2009. The note does not silently harmonize these dates.; Paragraph 3(b) describes the returned figure as undisclosed income; the note does not adopt this anomalous label as a finding of concealment.; Paragraph 7's statement of the parties' fraction argument reverses the inclusion wording. Paragraphs 14 and 18-21 supply the clear Court conclusion.; Paragraph 14 includes language about a technical meaning not envisaging reduction of expenses. Read in isolation that conflicts with its own final sentence and the explicit parity formula and conclusions in paragraphs 18-21; the note relies on those operative passages and preserves the source wording.; Physical page 13 has a stray repeated formula fragment at its lower edge, not an additional order. The numerator and denominator are visually verified on page 12.

STATUTORY SCOPE

Historical assessment-year and statutory setting. No automatic mapping to the Income-tax Act, 2025; check applicable statutory text and subsequent treatment independently.

LATER TREATMENT

Source checked 2026-10-04. No comprehensive subsequent-treatment or present-law audit. Any expressly identified bounded comparison is limited to the cited passages.

IDENTIFIED SOURCE LINKS

[reported judgment - PDF pages: 13](#)

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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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