

Commissioner of Income Tax, Karnal (Haryana) v. M/s Carpet India, Panipat (Haryana)

Civil Appeal Nos. 4590, 4601, 4602, 4591, 4597, 4599, 4592, 4593, 4596, 4594, 4603, 4595 and 4598 of 2018

[2018] 7 SCR 1092 | 2018-04-27

Whether a supporting manufacturer receiving duty drawback, DEPB and similar export incentives can claim section 80HHC deduction on the same basis as a direct exporter. At this stage the Court decided to refer the question to a larger Bench.

80HHC(1A) | 80HHC(3A) | 80HHC Explanation (ba) | 80HHC Explanation (baa) | 28(iia)-(iie)

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

Assessment years: 2001-02

Reference stage only; larger-bench merits decision delivered on 27 August 2019

This 27 April 2018 decision referred the batch to a larger Bench and did not finally allow or dismiss the tax appeals. The three-judge Carpet India judgment of 27 August 2019 answered the issue, allowed four identified Revenue appeals and remanded seven others for a direct-exporter factual inquiry. Do not present the reference's doubts as a final ratio or say it overruled Baby Marine Exports.

[Read the reviewed 2019-08-27 final judgment; paragraphs Cover: 5-8 / PDF pages 1, 8, 9, 10, 11 / judgment; paragraphs 5-8 / PDF pages 9, 10, 11 / judgment](#)

01 FACTS OF THE CASE

In the lead matter, Carpet India supplied manufactured carpets to IKEA Trading (India) Ltd., an Export House. For AY 2001-02 it filed a nil return, reporting sales of Rs. 6,49,83,432, duty drawback of Rs. 68,82,801 and profits of Rs. 1,97,10,927. It claimed section 80HHC deduction of Rs. 1,57,68,742 on the footing of parity with a direct exporter (paragraph 3).

The Assessing Officer allowed Rs. 1,08,96,505 and assessed income at Rs. 57,18,040. The Commissioner (Appeals) accepted the assessee's parity claim; the Tribunal and Punjab and Haryana High Court dismissed Revenue's appeals. Revenue contended that export incentives differ from the export-house premium considered in Baby Marine Exports. The assessee relied on that precedent to support equal treatment. The batch presented the common computation issue (paragraphs 3-8).

Source: [reported judgment / paragraphs 3-8 / PDF pages 4, 5, 6 / judgment](#)

02 DISCUSSION BY THE HON'BLE COURT

The referring Bench set out sections 80HHC(1A) and (3A) for supporting manufacturers, the total-turnover definition in Explanation (ba), the business-profit reduction in Explanation (baa), and the incentive categories in section 28(iia)-(iie). It distinguished computing the eligible amount under subsection (3A) from allowing that deduction under subsection (1A) (paragraphs 9-12).

It explained that Baby Marine Exports concerned inclusion of export-house premium in business profits, whereas the present cases concerned statutory export incentives and parity with direct exporters. It also considered the 12 September 2012 decision in CA 6437/2012, described here as CIT v. Sushil Kumar Gupta, which had followed Baby Marine on a question involving the 90% reduction under Explanation (baa) (paragraphs 13-14).

The Bench expressed disagreement and considered larger-bench reconsideration necessary because of the statutory reduction and the importance of the issue. Those doubts supported a reference; they were not a final overruling or adjudication of the batch's tax liabilities. The later three-judge judgment is a separate merits record and distinguishes Baby Marine rather than overruling it (paragraphs 15-16; 2019 judgment, paragraphs 5-8).

Source: [reported judgment / paragraphs 9-15 / PDF pages 6, 7, 8, 9, 10, 11, 12 / judgment](#)

03 JUDICIAL DECISION

The Court granted leave and referred the batch to a larger Bench, directing that the matters be placed before the Chief Justice of India for appropriate orders. It neither finally allowed Revenue's appeals nor affirmed the assessee's deductions at this stage (paragraphs 1 and 15-16).

Source: [reported judgment / paragraphs 15-16 / PDF pages 12, 13 / judgment](#); [official signed judgment / paragraphs 15-16 / PDF pages 14, 15 / judgment](#)

04 OUTCOME / IN WHOSE FAVOUR

In whose favour: Neither party finally on the merits at the reference stage

Batch referred to a larger Bench; matters directed to the Chief Justice of India for appropriate orders

Reference only; final merits outcomes must be taken from the separately reviewed 27 August 2019 decision for the appeal numbers it actually covers

No final disallowance, quantified liability or overruling of Baby Marine is attributed to the 2018 order. The 2019 text does not establish the disposition of the reference-list appeals CA 4601 and 4602 of 2018.

Source: [official signed judgment / paragraphs 16 / PDF pages 15 / judgment](#)

05 AKHB REVIEW POINT

Label and link this as a reference-stage document. Its description of statutory differences is useful to trace the issue, but a research note should lead the reader to the 2019 larger-bench answer before stating a final rule or outcome.

Keep export-house premium, duty drawback and DEPB receipts distinct. Identify the taxpayer's actual capacity, the statutory certificate and the relevant computation provision instead of using the broad word exporter to import another category's relief. Preserve the assessment-year limitation: only the lead Carpet India AY 2001-02 is stated here. The connected appeal list is not a substitute for an operative disposition for each case.

Source: [reported judgment / paragraphs 3; 9-16 / PDF pages 4, 6, 7, 8, 9, 10, 11, 12, 13 / judgment](#); [reported judgment / paragraphs 3-8 / PDF pages 8, 9, 10, 11 / judgment](#)

ADDITIONAL STATUTORY CONTEXT, NOT SEPARATE HOLDINGS

80HHC(1); 80HHC(1B); 80HHC(3); 80HHC(4A)

PROVISION-SPECIFIC SCOPE

1.

Act: Income-tax Act, 1961

Section: 80HHC(1A); 80HHC(3A)

Role: supporting-manufacturer entitlement and computation

Basis: The referring Bench distinguishes allowing a deduction from computing the qualifying profits.

2.

Act: Income-tax Act, 1961

Section: 80HHC Explanation (ba)/(baa); 28(iia)-(iie)

Role: turnover, business-profit and incentive framework

Basis: Exclusion from total turnover and the 90% business-profit reduction are distinct operations; the reference concerns claimed parity on incentives.

3.

Act: Income-tax Act, 1961

Section: 80HHC(1), (1B), (3), (4A)

Role: direct-exporter and certificate context

Basis: These provisions frame the comparison and qualifying certificate, rather than a final taxpayer-specific determination in this order.

JUDICIAL AUTHORSHIP AND SEPARATE OPINIONS

R. K. Agrawal, J.

ACT IDENTIFIED IN THE REVIEWED SOURCE

Income-tax Act, 1961

SPECIFIED LATER DECISION AND LIMITS OF THE CHECK

Status: specific later reference answer verified

Case id: sc-2019-08-27-carpet-india

Title: Commissioner of Income Tax, Karnal (Haryana) v. M/s Carpet India, Panipat (Haryana)

Date: 2019-08-27

Finding: The later three-judge judgment expressly identifies this reference and answers the parity question. It distinguishes Baby Marine Exports, overrules the identified 12 September 2012 decision in CA 6437/2012, allows Revenue's CA 4590/4591/4592/4603 and remands CA 4593-4599. CA 4601 and 4602 appeared in the 2018 reference list but are not in the 2019 judgment's list or operative groups; no outcome for them is inferred.

Pinpoints

1.

Source url: [Open cited source](#)

Paragraphs: Cover; 5-8

Pdf pages: 1; 8; 9; 10; 11

Source role: judgment

2.

Source url: [Open cited source](#)

Paragraphs: 5-8

Pdf pages: 9; 10; 11

Source role: judgment

SOURCE & VERIFICATION

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

Identified source rendition: 15 PDF pages; SHA-256

0e8c20d80d77b5a363840f911d878430186e92a0bf8ed657244eff93fea3604b. Original bytes preserved.

Cover/connected matters on physical pages 1-2; judicial paragraphs 1-16 on physical pages 2-15; reference direction, signatures and date on page 15.

Complete original read.

[Open cited source rendition](#)

Reference status and later 2019 decision must remain prominent.

Paragraph 3(a) calls the assessee both (P) Ltd. and a partnership firm; the note does not silently resolve the inconsistent entity description.

The reference calls the CA 6437/2012 party Sushil Kumar Gupta; the 2019 operative paragraph calls it Satish Kumar Gupta. Date and case number are retained without certifying the name independently.

CA 4601/4602 appear only in this reference's case list within the reviewed pair; their later outcomes are not inferred.

SCR citation verified from reported cover. No neutral citation inferred from catalogue metadata.

AY 2001-02 is expressly stated for Carpet India, the lead matter arising from SLP(C) 8368/2009. The judgment does not individually state the assessment years of the other connected appeals.

STATUTORY SCOPE

Historical section 80HHC supporting-manufacturer provisions and Explanation (ba)/(baa), with section 28(iia)-(iie), as quoted for the lead AY 2001-02 dispute. No independent comprehensive amendment, retrospective-effect or present-law audit is made.

No automatic Income-tax Act, 2025 crosswalk, present-law certification or comprehensive later-treatment audit.

LATER TREATMENT

Source checked 2026-10-04. No comprehensive later-treatment, review/stay or current-law audit. The specific connected judgment relationship described separately has been checked from the complete bounded judicial texts.

IDENTIFIED SOURCE LINKS

[official signed judgment - PDF pages: 15](#)

SHA-256: 0e8c20d80d77b5a363840f911d878430186e92a0bf8ed657244eff93fea3604b

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

SHA-256: cca12cae6abcc158a1ee789eedbe2e92908fd47749a35b967d8ab7aed3ce6fb7

[official signed judgment - PDF pages: 11](#)

SHA-256: 8e8372a68b2b0963e96c29a9e501e55e582eae1a97e941214a4080f093965258

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

SHA-256: deadda58a04847d9f5ee54b510cf57f1c7498e785aa8dcf84914ce74f8fbd40a

[Related note: Commissioner of Income Tax, Karnal \(Haryana\) v. M/s Carpet India, Panipat \(Haryana\)](#)

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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