

Commissioner of Income Tax v. M/s. Classic Binding Industries

Civil Appeal Nos. 7208, 7223, 7220, 7215, 7230, 7216, 7232, 7233, 7224, 7214, 7213, 7212, 7231, 7211, 7229, 7228, 7227, 7226, 7234, 7238, 7210, 7217, 7218, 7219, 7239, 7221, 7222, 7209, 7236, 7225 of 2018

[2018] 9 SCR 949 | 2018-08-20

Historically, whether a Himachal Pradesh unit that had enjoyed 100% section 80-IC deduction for five years could claim that rate again after substantial expansion within the overall ten-year period. The negative answer in this 2018 decision was expressly rejected in Aarham Softronic in 2019.

80-IC(2) | 80-IC(3)(ii) | 80-IC(6)

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

Assessment years: 2012-13, 2011-12

Historical rule rejected by Aarham Softronic on 20 February 2019

Classic Binding held that a qualifying substantial expansion could not create a second initial assessment year within the section 80-IC ten-year period. The three-judge decision in Aarham Softronic, paragraph 24(a), expressly held that this was not correct law because section 80-IC(8)(v) had been missed. Read this record as the historical 2018 disposition, not as the governing no-renewal rule. Aarham retains the total ten-year ceiling.

[Read the reviewed 2019-02-20 final judgment; paragraphs 5; 12-19; 22-25 / PDF pages 9, 15, 16, 17, 18, 23, 24 / judgment; paragraphs 24\(a\)-\(d\); 25 / PDF pages 24, 25, 26 / judgment](#)

01 FACTS OF THE CASE

Classic Binding manufactured printed embossed cotton book-binding cover material and dual-coloured security fibre. It began operations on 11 July 2005 and claimed 100% deduction for AYs 2006-07 to 2010-11. For AY 2012-13, its seventh production year, it again claimed 100%, relying on substantial expansion in FY 2010-11. Its return disclosed income of Rs. 27,93,410 after a section 80-IC claim of Rs. 12,62,77,168 (paragraphs 3-6).

The Assessing Officer restricted the deduction to 25%, and the Commissioner (Appeals) and Tribunal upheld that position. The judgment records a Tribunal composite order for AYs 2011-12 and 2012-13. The Himachal Pradesh High Court decided the common legal issue for the assessee and directed fresh assessments. Revenue appealed. The Supreme Court confined its inquiry to renewal of the 100% rate; qualification under section 80-IC(2) and the total ten-year ceiling were not disputed (paragraphs 7-15).

Source: [reported judgment / paragraphs 3-12 / PDF pages 4, 5, 6 / judgment](#)

02 DISCUSSION BY THE HON'BLE COURT

Historical reasoning, subsequently rejected: the two-judge Court read sections 80-IC(3)(ii) and 80-IC(6) as fixing a single sequence of five years at 100% followed by five years at 25%, or 30% for a company. It concluded that substantial expansion could not generate another initial assessment year within that period. Paragraph 19(b) referred to section 80-IB(14)(c), rather than the definition within section 80-IC itself (paragraphs 15-20).

The Court distinguished Mahabir Industries because the earlier deductions there arose under sections 80-IA and 80-IB before the taxpayer first became eligible under section 80-IC. It treated that sequence as different from renewing the 100% rate after deductions had already begun under section 80-IC (paragraph 21).

This reasoning must be read with Aarham Softronics. Its three-judge Bench found the omission of section 80-IC(8)(v) decisive and rejected the no-second-initial-year conclusion in paragraph 24(a). Its paragraph 24(c)-(d) permits the renewed 100% rate following qualifying substantial expansion while maintaining the overall ten-year ceiling. The comparison verifies this specific rejection only, not the procedural reopening of every Classic Binding appeal or all subsequent developments.

Source: [reported judgment / paragraphs 14-21 / PDF pages 7, 8, 9, 10 / judgment](#); [reported judgment / paragraphs 12-19; 22-24 / PDF pages 15, 16, 17, 18, 23, 24 / judgment](#)

03 JUDICIAL DECISION

On 20 August 2018 the Court answered the common question for Revenue and allowed all the listed appeals, holding that after five years at 100% the available rate for the remaining five years was 25%, or 30% for a company. It made no costs order (paragraph 22). That is the historical disposition. The legal rule against a renewed initial assessment year was expressly rejected in Aarham Softronics on 20 February 2019.

Source: [reported judgment / paragraphs 22 / PDF pages 10 / judgment](#); [official signed judgment / paragraphs 22 / PDF pages 17 / judgment](#); [official signed judgment / paragraphs 24\(a\) / PDF pages 24 / judgment](#)

04 OUTCOME / IN WHOSE FAVOUR

In whose favour: Revenue in the historical 20 August 2018 judgment

All listed Revenue appeals allowed; no order as to costs

Final 2018 merits ruling on the common deduction-rate issue; its no-second-initial-year rule was expressly rejected in the later three-judge Aarham judgment

Do not use the historical Revenue result to describe the present legal treatment of the rule. Aarham records recall of seven specified appeals; no finding is made here that every Classic Binding party obtained recall or a revised assessment.

Source: [official signed judgment / paragraphs 22 / PDF pages 17 / judgment](#); [reported judgment / paragraphs 5; 24-25 / PDF pages 9, 23, 24 / judgment](#)

05 AKHB REVIEW POINT

Use this note to understand the litigation sequence and the reasoning Aarham corrected. A research result showing only Classic Binding's 2018 headnote would be materially incomplete. Place the Aarham warning alongside every synopsis of the historical 25%/30% result.

For a concrete taxpayer, distinguish the precedent's legal treatment from the procedural finality of that taxpayer's order. Verify the exact appeal, service/recall history and available procedure rather than assuming that a later rejection automatically reopened every assessment. Apply the qualifying-expansion definition and ten-year history through the Aarham analysis, subject to the relevant historical statutory version and a separate subsequent-treatment check.

Source: [reported judgment / paragraphs 19-22 / PDF pages 9, 10 / judgment](#); [reported judgment / paragraphs 5; 12-19; 24-25 / PDF pages 9, 15, 16, 17, 18, 23, 24 / judgment](#)

ADDITIONAL STATUTORY CONTEXT, NOT SEPARATE HOLDINGS

80-IA; 80-IB(4); 80-IB(14)(c); 10C; 142(1); 143(2); 260A

PROVISION-SPECIFIC SCOPE

1.

Act: Income-tax Act, 1961

Section: 80-IC(2), (3)(ii), (6)

Role: principal historical deduction issue

Basis: Eligibility, rate and ten-year maximum; the no-renewal interpretation was later rejected.

2.

Act: Income-tax Act, 1961

Section: 80-IB(14)(c)

Role: definition incorrectly relied on in historical ruling

Basis: Aarham explains that the materially different section 80-IC(8)(v) definition governs this issue.

3.

Act: Income-tax Act, 1961

Section: 80-IA; 80-IB(4); 10C

Role: legislative history, comparison and cap context

Basis: Not independent determinations of new deduction claims under these provisions.

JUDICIAL AUTHORSHIP AND SEPARATE OPINIONS

A. K. Sikri, J.

ACT IDENTIFIED IN THE REVIEWED SOURCE

Income-tax Act, 1961

SPECIFIED LATER DECISION AND LIMITS OF THE CHECK

Status: specific later rejection verified

Case id: sc-2019-02-20-aarham-softronics

Title: Pr. Commissioner of Income Tax, Shimla v. M/s. Aarham Softronics

Date: 2019-02-20

Finding: The three-judge Court expressly held Classic Binding's initial-assessment-year conclusion incorrect; qualifying substantial expansion can trigger a renewed 100% rate within, but not beyond, the original total ten-year deduction period. Aarham paragraph 5 reports separate recall orders in seven identified 2018 appeals for non-service; it does not establish that every individual 2018 disposition was procedurally recalled.

Pinpoints

1.

Source url: [Open cited source](#)

Paragraphs: 5; 12-19; 22-25

Pdf pages: 9; 15; 16; 17; 18; 23; 24

Source role: judgment

2.

Source url: [Open cited source](#)

Paragraphs: 24(a)-(d); 25

Pdf pages: 24; 25; 26

Source role: judgment

SOURCE & VERIFICATION

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

Identified source rendition: 17 PDF pages; SHA-256

a36456e9326580d2b96d37ba79d9f6fff18a42a9bdf52db04b6c458a5459fcde. Original bytes preserved.

Cover and connected appeal list on physical pages 1-3; judgment paragraphs 1-22 on physical pages 3-17; disposition, signatures and date on page 17.

Identity, selected substantive passages, operative disposition and signatures checked against the fully read reported judicial text; not a claim that every page of this separate rendition was independently reread.

[Open cited source rendition](#)

Prominent later-rejection warning is mandatory; neither the cover headnote nor paragraph 22 may be presented alone as current law.

The lead firm's AY 2012-13 and the Tribunal's related AY 2011-12 are distinguished from earlier deduction years and from unallocated connected appeals.

No neutral citation, universal recall, automatic reopening or Income-tax Act, 2025 mapping is inferred.

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

Paragraphs 5-8 set out the lead facts for AY 2012-13. Paragraph 11 describes the Tribunal's composite order for AYs 2011-12 and 2012-13. AYs 2006-07 to 2010-11 are the lead firm's prior 100% deduction years; the judgment does not individually allocate every connected appeal to an assessment year.

STATUTORY SCOPE

Section 80-IC as quoted and applied to the Himachal Pradesh deduction dispute, with lead AY 2012-13 and related AY 2011-12. Section 80-IC was inserted effective 1 April 2004. The reference to section 80-IB(14)(c) was the error identified in Aarham; it is not adopted as the applicable definition.

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: 17](#)

SHA-256: a36456e9326580d2b96d37ba79d9f6fff18a42a9bdf52db04b6c458a5459fcde

[reported judgment - PDF pages: 10](#)

SHA-256: c744d2772986e1b73f7428cd3f5ff2186c9817aa5b8a4791175264bce84f5bfc

[official signed judgment - PDF pages: 26](#)

SHA-256: 5ae1549efd2ee02df86c15c166f144cbe175f97cc7426dac75d73bb88036e0de

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

SHA-256: 17df1fbf098eb529ad930a86828610f959f00fffd87b68564961447b654d4d89

[Related note: Pr. Commissioner of Income Tax, Shimla v. M/s. Aarham Softronics](#)

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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