

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

Civil Appeal Nos. 1784-1790 and 1795-1798 of 2019 and connected proceedings (full list below)

[2019] 4 SCR 409 | 2019-02-20

Whether qualifying substantial expansion by a Himachal Pradesh industrial unit can create another initial assessment year and renew the 100% deduction rate under section 80-IC within the total ten-year limit, contrary to Classic Binding Industries.

80-IC(2)(a)(ii) | 80-IC(2)(b)(ii) | 80-IC(3)(ii) | 80-IC(6) | 80-IC(8)(v) | 80-IC(8)(ix)

Three-judge bench | A. K. Sikri, J. | S. Abdul Nazeer, J. | M. R. Shah, J.

Assessment years: See the source-scope notes; no year inferred.

Renewed 100% rate remains subject to the original ten-year maximum

Aarham expressly rejects Classic Binding's no-second-initial-year rule. It does not start a fresh ten-year deduction period. Paragraph 18 contains a 1 April 2015 date inconsistent with the statutory text quoted in paragraph 7 and the 1 April 2012 endpoint in paragraph 24(b); this note uses the latter and flags the source inconsistency.

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

01 FACTS OF THE CASE

The proceedings concerned the common section 80-IC issue originating in the Himachal Pradesh High Court's 28 November 2017 batch decision. Classic Binding had reversed the High Court on 20 August 2018. Certain assessee-respondents had not been served and remained unrepresented. Paragraph 5 records that separate orders recalled the decisions in Civil Appeal Nos. 7218, 7222, 7236, 7215, 7221, 7217 and 7223 of 2018 and restored those appeals. Further Revenue appeals against the common High Court ruling were heard with the restored matters (paragraphs 2-5).

The assessees had established qualifying Himachal Pradesh industrial units, enjoyed 100% deduction for five years and undertaken substantial expansion in compliance with section 80-IC. They sought the renewed 100% rate during the remaining eligible period, accepting that the total deduction period could not exceed ten years. Compliance with the substantial-expansion condition was not disputed in the cases before the Court (paragraphs 6, 9 and 17). No individual AY allocation is supplied in the judgment.

Source: [reported judgment / paragraphs 2-6; 9; 17 / PDF pages 8, 9, 10, 13, 17 / judgment](#)

02 DISCUSSION BY THE HON'BLE COURT

The decisive definition is section 80-IC(8)(v): the initial assessment year is the assessment year relevant to the previous year in which manufacture or production begins, operations commence, or substantial expansion is completed. Section 80-IB(14)(c) is expressly a definition for that different section and cannot displace the section 80-IC definition. The Court acknowledged the omission in Classic Binding and its resulting error (paragraphs 7 and 12-16).

Substantial expansion under section 80-IC(8)(ix) requires an increase in plant-and-machinery investment of at least 50% of its book value, before depreciation in any year, as on the first day of the previous year in which expansion is undertaken. Reading that definition with subsections (2), (3)(ii), (6) and (8)(v), completion of qualifying expansion can create another initial assessment year. The relevant assessment year follows the previous year specified in the statutory definition; the expressions must not be collapsed into the same calendar period (paragraphs 7, 14 and 16-18).

The renewed initial year changes the applicable rate, not the outer duration. The ten-year ceiling under subsection (6), including the specified prior deduction periods, remains. Paragraph 24(d) illustrates expansion immediately after the first five years, permitting 100% for the next five, and expansion in year eight, permitting 100% only for years eight to ten after the intervening lower-rate years. It does not give a fresh ten years after every expansion (paragraphs 18-19 and 24).

The industrial-development objective supports this reading of the text: substantial fresh investment can increase production and local employment. The Court discussed the statutory-interpretation principles in Dilip Kumar and agreed with the High Court's reading. It also explained why recognition of two initial assessment years removes Classic Binding's distinction from Mahabir Industries (paragraphs 20-23).

Source caution: paragraph 18 says 1 April 2015. That conflicts with the statutory window ending before 1 April 2012 quoted in paragraph 7 and the conclusion in paragraph 24(b). Both the reported and official copies contain the inconsistency. The note follows the express quoted provision and final conclusion; it does not treat the isolated 2015 reference as an extension of eligibility.

Source: [reported judgment / paragraphs 7-24 / PDF pages 10, 11, 12, 13, 14, 15, 16, 17, 18, 19, 20, 21, 22, 23, 24 / judgment](#)

03 JUDICIAL DECISION

The three-judge Court held in paragraph 24(a) that Classic Binding did not lay down correct law on this issue. A qualifying new unit enjoys the ordinary five-year 100% period; qualifying substantial expansion can renew the 100% rate during the remaining overall ten-year period. In paragraph 25 the Court affirmed the High Court on this issue, dismissed all Revenue appeals and allowed the appeals filed by assesseees. The judgment does not provide party-by-party deduction figures or individual AY computations.

Source: [reported judgment / paragraphs 24-25 / PDF pages 23, 24 / judgment](#); [official signed judgment / paragraphs 24-25 / PDF pages 24, 25, 26 / judgment](#)

04 OUTCOME / IN WHOSE FAVOUR

In whose favour: Assessee on the common substantial-expansion deduction issue

High Court affirmed on this issue; Revenue appeals dismissed; assessee appeals allowed, as stated in paragraph 25

Final three-judge merits determination rejecting Classic Binding's no-second-initial-year rule

Qualifying expansion and the applicable statutory window remain essential; total deduction cannot exceed ten assessment years. This is not a finding that all earlier Classic Binding dispositions were recalled, nor an AY-specific computation for every connected taxpayer.

Source: [official signed judgment / paragraphs 25 / PDF pages 26 / judgment](#)

05 AKHB REVIEW POINT

Build a year-by-year eligibility schedule showing commencement, the first deduction year, plant-and-machinery book value at the statutory measurement date, qualifying additions, expansion completion and prior years of deduction. Keep the renewed 100% rate separate from the unchanged ten-year maximum.

Use Aarham's actual section 80-IC definitions, rather than borrowing an initial-year definition from another incentive section. Verify the relevant statutory text and window for the taxpayer; do not rely on the isolated 2015 reference in paragraph 18. The admitted expansion facts in this batch do not eliminate the need for supporting evidence in another case.

For parties affected by the older judgment, separately establish whether their appeal was one of those recalled and what operative orders apply. No automatic reopening, later-law certification or Income-tax Act, 2025 carryover is made.

Source: [reported judgment / paragraphs 5; 7; 12-19; 24-25 / PDF pages 9, 10, 11, 12, 13, 15, 16, 17, 18, 23, 24 / judgment](#)

APPEAL AND PROCEEDING NUMBERS

Civil Appeal Nos. 1784-1790 and 1795-1798 of 2019 / Miscellaneous Application Nos. 2880, 2879, 2852, 2850, 2841, 2840 and 2976 of 2018 in Civil Appeal Nos. 7218, 7222, 7236, 7215, 7221, 7217 and 7223 of 2018, respectively

ADDITIONAL STATUTORY CONTEXT, NOT SEPARATE HOLDINGS

80-IA; 80-IB(4), second proviso; 80-IB(14)(c); 10C

PROVISION-SPECIFIC SCOPE

1.

Act: Income-tax Act, 1961

Section: 80-IC(8)(v); 80-IC(8)(ix)

Role: controlling definitions

Basis: Expansion completion can create another initial assessment year if the statutory 50% plant-and-machinery investment test is met.

2.

Act: Income-tax Act, 1961

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

Role: eligibility, rate and duration

Basis: Relevant qualifying window and undertaking conditions, renewed rate and unchanged ten-year ceiling must be read together.

3.

Act: Income-tax Act, 1961

Section: 80-IB(14)(c)

Role: inapplicable borrowed definition rejected

Basis: Definition applies to section 80-IB, not the section 80-IC issue.

4.

Act: Income-tax Act, 1961

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

Role: history and express cap aggregation context

Basis: Subsection (6) identifies particular prior deduction periods; do not generalise all deductions under every incentive provision into the same cap.

JUDICIAL AUTHORSHIP AND SEPARATE OPINIONS

A. K. Sikri, J.

ACT IDENTIFIED IN THE REVIEWED SOURCE

Income-tax Act, 1961

TREATMENT OF THE SPECIFIED EARLIER PRECEDENT

Status: specific earlier rule rejected verified

Case id: sc-2018-08-20-classic-binding

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

Date: 2018-08-20

Finding: Paragraph 24(a) expressly holds the earlier judgment incorrect because it relied on the section 80-IB definition and missed section 80-IC(8)(v). The record of seven recalls in paragraph 5 is kept distinct from that precedent-level ruling.

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: 19(b)-22

Pdf pages: 9; 10

Source role: judgment

SOURCE & VERIFICATION

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

Identified source rendition: 26 PDF pages; SHA-256

5ae1549efd2ee02df86c15c166f144cbe175f97cc7426dac75d73bb88036e0de. Original bytes preserved.

Cover/connected matters on physical pages 1-2; judicial text through paragraph 25 on physical pages 3-26; disposition/signatures/date on page 26.

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](#)

Assessment years are not individually stated; none is inferred from the decision year or imported wholesale from Classic Binding.

The official signature timestamp in March 2019 is not the decision date; the signed judgment states 20 February 2019.

The expansion-related previous year and its relevant assessment year are distinct; paragraph 24(c) shorthand is read with section 80-IC(8)(v).

The 2015 endpoint in paragraph 18 conflicts with the quoted provision and conclusion using 2012; original PDF preserved unchanged.

Renewed 100% deduction does not restart the total ten-year period.

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

No individual calendar assessment year is assigned to the lead respondent or each connected appeal in this judgment. Its five-year and ten-year examples are statutory sequences, not additional assessed years. Do not import Classic Binding's lead AYs into every Aarham matter.

STATUTORY SCOPE

Section 80-IC text quoted in paragraph 7, including the Himachal Pradesh/Uttaranchal window beginning 7 January 2003 and ending before 1 April 2012, the 100% then 25%/30% rate, section 80-IC(8)(v)/(ix) definitions and the section 80-IC(6) ten-year ceiling. Paragraph 18's inconsistent 2015 endpoint is flagged, not adopted.

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: 26](#)

SHA-256: 5ae1549efd2ee02df86c15c166f144cbe175f97cc7426dac75d73bb88036e0de

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

SHA-256: 17df1fbf098eb529ad930a86828610f959f00fffd87b68564961447b654d4d89

[official signed judgment - PDF pages: 17](#)

SHA-256: a36456e9326580d2b96d37ba79d9f6fff18a42a9bdf52db04b6c458a5459fcde
[reported judgment - PDF pages: 10](#)

SHA-256: c744d2772986e1b73f7428cd3f5ff2186c9817aa5b8a4791175264bce84f5bfc
[Related note: Commissioner of Income Tax v. M/s. Classic Binding Industries](#)

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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