

Vijay Industries v. Commissioner of Income Tax (with connected appeals)

Civil Appeal Nos. 1581-1582 of 2005 and connected proceedings (full list below)

[2019] 4 SCR 928 | 2019-03-01

For the two pre-section-80AB assessment years, whether the section 80HH deduction was computed on profits and gains before depreciation and investment allowance, and whether Motilal Pesticides should stand.

80HH(1) | 80A | 80AB

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

Assessment years: 1979-80, 1980-81

Gross-profits ruling is confined to the pre-section-80AB years

The Court decided AYs 1979-80 and 1980-81 and expressly recognised the change brought by section 80AB from AY 1981-82. This is not a current general rule allowing Chapter VI-A deductions on gross receipts or before every statutory adjustment.

01 FACTS OF THE CASE

The assessees' eligibility for section 80HH relief was not disputed. For assessment years 1979-80 and 1980-81, the dispute was the base for the 20% deduction: profits and gains before depreciation and investment allowance, as the assessees claimed, or income after the statutory computation deductions, as Revenue maintained. The High Court followed Motilal Pesticides against the assessees. A Supreme Court Division Bench referred the correctness of that decision to a larger Bench on 5 November 2014 (paragraphs 2-5).

Source: [reported judgment](#) / [paragraphs 2-5](#) / [PDF pages 4, 5](#) / [judicial text](#)

02 DISCUSSION BY THE HON'BLE COURT

The Court distinguished the computation of business income under Chapter IV from the incentive deductions under Chapter VI-A. The precise wording of each incentive provision mattered: section 80HH allowed a deduction from profits and gains, whereas the dividend provision in section 80M spoke of income and former section 80E expressly incorporated computation under the other provisions. Motilal Pesticides had wrongly treated the material language as equivalent (paragraphs 6-11 and 17-19).

For these years, reading sections 80HH and 80A together yielded a deduction from gross profits and gains before the statutory computation deductions in issue. The Court endorsed the distinction developed in the reference order and expressly overruled Motilal Pesticides. This was a profits-based computation ruling, not a deduction of 20% of turnover or a dispensation with actual business expenses (paragraphs 17-19).

Revenue could not apply section 80AB retrospectively to reach the opposite result. It was introduced with effect from 1 April 1981, and CBDT Circular 281 expressly stated application from assessment year 1981-82 without retrospective operation. Unlike section 80AA, it did not reach the two earlier years before the Court. The Court also distinguished the dividend and cooperative-society authorities on their statutory language and issues (paragraphs 20-21).

Source: [reported judgment / paragraphs 6-11 / PDF pages 6, 7, 8 / judicial text](#); [reported judgment / paragraphs 17-19 / PDF pages 12, 13, 14, 15, 16 / judicial text](#); [reported judgment / paragraphs 20-21 / PDF pages 16, 17 / judicial text](#)

03 JUDICIAL DECISION

All connected appeals were allowed. The gross-profits basis prevailed for the stated assessment years, Motilal Pesticides was overruled, and the argument for retrospective application of section 80AB was rejected. The Court did not itself calculate individual refunds or deduction amounts (paragraphs 19-22).

Source: [reported judgment / paragraphs 19-22 / PDF pages 16, 17 / judicial text](#); [official signed judgment / paragraphs 19-22 / PDF pages 21, 22 / judicial text](#)

04 OUTCOME / IN WHOSE FAVOUR

In whose favour: Assesseees for assessment years 1979-80 and 1980-81

All appeals allowed; contrary Motilal Pesticides rule overruled

Final larger-Bench interpretation of the historical deduction base and section 80AB commencement

The Court expressly recognises a changed legal position from AY 1981-82. Gross profits are not gross sales; no general exemption from the later Chapter VI-A computation framework is established.

Source: [reported judgment / paragraphs 20-22 / PDF pages 17 / judicial text](#)

05 AKHB REVIEW POINT

Match the exact deduction language and assessment year before borrowing a computation formula. This decision is particularly important for pre-1981 section 80HH disputes and for understanding why differently worded incentive sections cannot be treated as interchangeable. Keep actual business expenses separate from the statutory allowances involved in this litigation.

The express temporal limit is essential: Vijay does not support carrying its pre-section-80AB gross-profits basis into all later years or other deduction provisions. Verify the applicable statutory version and later treatment; no current entitlement, refund quantum or 2025 Act equivalence is certified.

Source: [reported judgment / paragraphs 17 quoted reference; 19-21 / PDF pages 13, 16, 17 / judicial text](#)

APPEAL AND PROCEEDING NUMBERS

Civil Appeal Nos. 1581-1582 of 2005 / Civil Appeal Nos. 2878 and 2877 of 2015 (official cover; reported companion-number variance noted) / Civil Appeal Nos. 2416-2417, 2420-2421, 2414-2415, 2418-2419 and 2422-2423 of 2019

ADDITIONAL STATUTORY CONTEXT, NOT SEPARATE HOLDINGS

28; 29; 30-43D; 80M; 80E; 80P; 80AA

JUDICIAL AUTHORSHIP AND SEPARATE OPINIONS

A. K. Sikri, J.

ACT IDENTIFIED IN THE REVIEWED SOURCE

Income-tax Act, 1961

SOURCE & VERIFICATION

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

Identified source rendition: 22 PDF pages; SHA-256

e682b5b44d8db9b523f2ac846e856766a868931d4c6912dd97cf2a634860d9f4. Original bytes preserved.

One signed common judgment on physical pages 1-22; complete appeal list on cover, disposition/signatures on page 22.

Cover, cases, author, key reasoning, outcome and signed date matched against the fully read reported judicial text. No full independent reread of the separate original rendition is claimed.

[Open cited source rendition](#)

SCR citation verified on the reported cover; no neutral citation inferred.

The official cover lists CA 2878/2015, while the reported jurisdiction lists CA 2875/2015. CA 2877/2015 is consistent. The original-cover number is used with the discrepancy retained; no unseen correction order is claimed.; Paragraphs 3 and 8 refer to section 32AB when describing investment allowance in the historical framework. This note does not silently certify that subsection reference for the 1979-81 years; the holding is expressed through the actual allowances and sections 80HH/80AB.; Numbered paragraphs within the long 2014 reference-order extract belong to that quoted order, not fresh independent operative paragraphs of the 2019 judgment.

STATUTORY SCOPE

Historical judgment review; no automatic Income-tax Act, 2025 mapping or present procedure certificate.

LATER TREATMENT

Source checked 2026-10-04. No comprehensive later-treatment or current-law audit.

IDENTIFIED SOURCE LINKS

[official signed judgment - PDF pages: 22](#)

SHA-256: e682b5b44d8db9b523f2ac846e856766a868931d4c6912dd97cf2a634860d9f4

[reported judgment - PDF pages: 17](#)

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