

Commissioner of Income Tax, Bombay v. Tasgaon Taluka S.S.K. Limited

Civil Appeal No. 8890 of 2012 / Civil Appeal Nos. 2485, 2484, 2482, 2483, 2486 and 2487 of 2019 / Civil Appeal No. 4801 of 2014 / Civil Appeal No. 8891 of 2012 / Civil Appeal Nos. 4549 and 302 of 2013

[2019] 4 SCR 145 | 2019-03-05

Whether the excess of the final/additional sugarcane purchase price over the statutory minimum price represented deductible expenditure or appropriation of profit, and how the profit component should be identified in the historical pricing scheme.

37(1)

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

Assessment years: 1998-99

01 FACTS OF THE CASE

The lead assessee, a cooperative society manufacturing white sugar, filed a nil-income return for AY 1998-99 and later a revised return showing a business loss. The scrutiny dispute concerned sugarcane bought during the 1996-97 and 1997-98 sugar seasons from members and non-members. The society made initial payments and later paid a final price of Rs. 875 per metric tonne. It relied on contracted prices, the Maharashtra Sugar Commissionerate's rate and the Mantri Committee's guidance (paragraphs 3-3.8).

Under the historical Control Order, clause 3 provided for a statutory minimum price, while clause 5A and the Second Schedule provided an additional price. The Assessing Officer treated the disputed excess payment as a distribution of profits rather than deductible expenditure, and alternatively invoked section 40A(2) as excessive or unreasonable payment. The Commissioner (Appeals), relying on the Manjara Shetkari decision, allowed the procurement price as business expenditure; the Tribunal and Bombay High Court upheld that result. Revenue appealed in this and connected cases (paragraphs 4-6.1).

Revenue argued that the final price was determined after accounts were settled and included profits; the assessee contended that the pricing arrangement was binding, applied to members and non-members alike, and remained a purchase expense even where the society incurred a loss. The Court ultimately restricted its determination to the difference between the clause 3 minimum and clause 5A additional/final price (paragraphs 7-9.4).

Source: [reported judgment](#) / [paragraphs 3-8.5](#) / [PDF pages 5, 6, 7, 8, 9, 10, 11, 12, 13, 14](#) / [judgment](#)

02 DISCUSSION BY THE HON'BLE COURT

The Court distinguished the pricing stages. The statutory minimum under clause 3 was fixed at the beginning of the season with reference to matters including production cost, alternative-crop returns, consumer prices, sugar selling price and recovery. Clause 5A's additional price was calculated at the end of the season under the Second Schedule, with settled accounts and information concerning expenditure and profits (paragraphs 9.2-9.4).

Drawing on Maharashtra Rajya Sahkari Sakkar Karkhana Sangh, the Court explained the profit-sharing element of that additional price. A profit component within the final price could constitute appropriation of profit, but the entire difference between minimum and additional price could not automatically be treated that way. The officer had to examine statements of account, the balance sheet and materials supplied to the State for final-price determination, identify the actual profit component and allow the remainder as expenditure (paragraphs 9.4-9.5).

Paying the same higher price to non-members did not by itself answer whether the payment to members included a distribution of profits. The Court mentioned examination of excessive or unreasonable non-member payments under section 40A(2), but expressly stated that this was not the subject matter of the appeals as restricted. That passage is not a finding that every non-member payment attracts section 40A(2), or that the provision's factual prerequisites are automatically met (paragraph 9.4).

The judgment rejected both an automatic deduction of every component and a blanket disallowance of the whole price difference. Quantification required a fresh, fact-specific assessment of the society's business and the mechanism producing the final price, with an opportunity to the assessee (paragraphs 9.5-10).

Source: [reported judgment / paragraphs 9.1-10 / PDF pages 14, 15, 16, 17, 18 / judgment](#); [official signed judgment / paragraphs 9.4-9.5 / PDF pages 20, 21, 22 / judgment](#)

03 JUDICIAL DECISION

The question of law was answered partly for Revenue and partly for the assessees. The High Court, Tribunal, Commissioner (Appeals) and Assessing Officer orders were all set aside. Matters were remitted to the respective Assessing Officers to identify the profit component, treat that component as profit distribution and allow the remainder as expenditure, after hearing the assessees. All appeals were disposed of on that basis (paragraphs 9.5-11).

Source: [reported judgment / paragraphs 9.5-11 / PDF pages 18 / judgment](#); [official signed judgment / paragraphs 9.5-11 / PDF pages 22, 23 / judgment](#)

04 OUTCOME / IN WHOSE FAVOUR

In whose favour: Mixed: Revenue on non-deductibility of the identified profit component; assessee against disallowance of the entire difference

All challenged orders, including the assessments, set aside; cases remitted to the respective Assessing Officers; appeals disposed of

Legal test settled; fact-finding and quantification remanded

Historical clause 3/clause 5A price-difference issue. No blanket percentage disallowance, final quantified deduction, or adjudication of all non-member section 40A(2) conditions.

Source: [official signed judgment / paragraphs 9.5-11; signatures/date / PDF pages 22, 23 / judgment](#)

05 AKHB REVIEW POINT

Build the computation from the society's contemporaneous accounts and the actual proposal/material sent for price fixation. Identify the minimum price, final price, pricing components and member/non-member payments separately. A government-approved final price does not by itself prove that every component is deductible; a difference above the minimum does not by itself prove that the entire difference is profit.

Record this as a mixed remand, not a complete Revenue victory or blanket allowance for cooperative societies. The Court set aside even the Assessing Officers' orders. Its discussion of a 50:50 pricing mechanism does not authorise mechanically disallowing half of every additional payment. Apply the historical statutory version and establish the relevant components; separately check any later deduction provisions, relief procedures and pricing changes before advising on another period.

Source: [reported judgment / paragraphs 9.4-11 / PDF pages 16, 17, 18 / judgment](#)

ADDITIONAL STATUTORY CONTEXT, NOT SEPARATE HOLDINGS

40A(2); 40A(3); 143(1)(a); 143(2); 142(1)

OTHER PROVISIONS CONSIDERED

Sugarcane (Control) Order, 1966: clauses 3 and 5A and Second Schedule; Essential Commodities Act, 1955; Sale of Goods Act: section 9, invoked in the assessee's submissions

PROVISION-SPECIFIC SCOPE

1.

Act: Income-tax Act, 1961

Section: 37(1)

Role: principal deductibility issue

Basis: Procurement expense versus appropriation/distribution of profits.

2.

Act: Income-tax Act, 1961

Section: 40A(2)

Role: alternative assessment ground and scope-limited observation

Basis: Excessiveness/unreasonableness noted, with non-member issue expressly outside the restricted appeals.

3.

Act: Income-tax Act, 1961

Section: 40A(3); 143(1)(a); 143(2); 142(1)

Role: procedural/assessment background

Basis: Original processing adjustment and scrutiny; not the legal issue decided.

JUDICIAL AUTHORSHIP AND SEPARATE OPINIONS

M. R. Shah, 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: 23 PDF pages; SHA-256

bba30105fd9f8a6c27f0f5d673e6ada37700e26e8095d4ec74ee58e752fcd19b. Original bytes preserved.

Cover, selected substantive passages and disposition/signatures visually checked. The complete reported judicial text was read; this separate rendition was not independently reread in full.

Open cited source rendition

Paragraph 9.4 expressly restricts the issue and excludes adjudication of the non-member section 40A(2) question; the headnote's shorter summary must not obscure this limit.

The first purchase table repeats Rs. 537.70 for 1997-98, while paragraphs 3.7 and the later calculation table state Rs. 646.50 for that season. This source inconsistency is not silently reconciled or used for a new computation.

The text's loose interchanges among SAP, final price, additional price and clause 5A are reported in the historical setting; no equivalence across all State pricing regimes is inferred.

Sugar seasons 1996-97 and 1997-98 are not labelled as assessment years. Only lead AY 1998-99 is independently identified in this judgment.

The earlier order in Maharashtra Rajya Sahkari Sakkar Karkhana Sangh is discussed as used by this Court, not separately certified as fully reviewed.

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

AY 1998-99 is expressly stated for the lead appeal. Sugar seasons 1996-97 and 1997-98 are purchase-period facts, not additional assessment years. The common judgment does not enumerate the assessment years of every connected appeal.

STATUTORY SCOPE

Income-tax Act, 1961 section 37(1) and the historical Sugarcane (Control) Order, 1966 clauses 3 and 5A/Second Schedule for the periods litigated. Lead AY 1998-99; later sugar-price regimes, later deduction amendments and current relief mechanisms are not independently certified.

No automatic Income-tax Act, 2025 crosswalk or comprehensive later-law/current compliance certification.

LATER TREATMENT

Source checked 2026-10-04. Subsequent appeals, review proceedings, stays, reversals and later judicial treatment have not been comprehensively checked. A separately identified bounded later link does not constitute a citator or current-law certificate.

IDENTIFIED SOURCE LINKS

[official signed judgment - PDF pages: 23](#)

SHA-256: bba30105fd9f8a6c27f0f5d673e6ada37700e26e8095d4ec74ee58e752fcd19b

[reported judgment - PDF pages: 18](#)

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