

Principal Commissioner of Income Tax-3, Nagpur v. Ballarpur Industries Ltd.

Civil Appeal No. 4026 of 2019 (arising out of SLP(C) No. 1153 of 2018)

No separate citation stated in the source | 2019-04-22

Whether the Tribunal's allowance of a Rs 3.25 crore compromise-payment deduction could stand where it had incorrectly described the reasoning of the Assessing Officer and CIT(A).

Two-judge bench | Abhay Manohar Sapre, J. | Dinesh Maheshwari, J.

Assessment years: 1993-94

01 FACTS OF THE CASE

For AY 1993-94, Ballarpur claimed Rs 3.25 crore paid to G.R. Hada under a civil-suit compromise as revenue expenditure. According to the assessee, it and Hada were joint promoters of Andhra Pradesh Rayons Ltd., and the suit arose from disputes among promoter shareholders. The Assessing Officer rejected the deduction; CIT(A) confirmed that result. The Tribunal allowed it on 30 June 2003, and the Bombay High Court, Nagpur Bench, dismissed the Revenue's appeal on 17 July 2017. The Revenue appealed to the Supreme Court. The Court's short judgment describes the compromise-payment claim but does not reproduce the entire agreement or finally characterise the payment.

Source: [official signed judgment / paragraphs 2-14 / PDF pages 1, 2, 3, 4, 5 / judgment](#)

02 DISCUSSION BY THE HON'BLE COURT

The Tribunal had stated that the Assessing Officer did not dispute the business connection and that CIT(A) considered the expenditure revenue in nature. On examining the cited portions of both lower orders, the Supreme Court found that account incorrect and inconsistent with their actual reasoning. The Tribunal's reversal therefore proceeded on a mistaken appreciation of the orders under appeal, which the High Court had not noticed (paragraphs 19-22).

As the final appellate fact-finding forum, the Tribunal needed to determine the matter afresh on the correct record. Although counsel argued the deduction merits, the Supreme Court chose a fresh hearing with all issues open rather than deciding the capital/revenue character itself. The parties could raise all their contentions in that hearing (paragraphs 23-27).

Source: [official signed judgment / paragraphs 19-27 / PDF pages 6, 7, 8, 9 / judgment](#)

03 JUDICIAL DECISION

The Revenue's appeal was allowed. The High Court and Tribunal orders were set aside, and the assessee's appeal was remanded to the Tribunal for a fresh merits decision according to law, uninfluenced by the observations in the set-aside orders or the Supreme Court order. Paragraph 27 expressly disclaims any opinion on the case's merits.

Source: [official signed judgment / paragraphs 25-27 / PDF pages 8, 9 / judgment](#)

04 OUTCOME / IN WHOSE FAVOUR

In whose favour: Revenue on the procedural appeal and remand only

High Court and Tribunal orders set aside; assessee's Tribunal appeal restored for fresh merits decision

Deduction and capital/revenue classification expressly left open

The Supreme Court neither allows nor finally disallows the Rs 3.25 crore deduction. No post-remand result or quantified tax liability is certified.

Source: [official signed judgment / paragraphs 26-27 / PDF pages 9 / judgment](#)

05 AKHB REVIEW POINT

Before relying on a Tribunal finding, compare its account of the assessment and first-appellate orders with those orders themselves. An incorrect description of the findings being reversed can undermine the appellate analysis. For the remitted dispute, the compromise agreement, commercial setting and reasons at each stage would require fresh examination; this judgment supplies no final rule that such settlement payments are either capital or revenue. Verify later proceedings before treating the deduction as settled.

Source: [official signed judgment / paragraphs 19-27 / PDF pages 6, 7, 8, 9 / judgment](#)

SOURCE & VERIFICATION

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

Identified source rendition: 10 PDF pages; SHA-256
a3312aa2cae595961dfbcd7546b07196cf49dc3a4ba354e48b57e2729ec680f5. Original bytes preserved.

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The original contains ten physical pages but signed judgment ends on page9; page10 is footer-only and not a second decision.

The judgment text identifies High Court ITA38/2003. Official search/ROP provenance reports ITA138/2003. This mismatch is not resolved by inventing a corrected identifier; the verified Supreme Court CA/SLP identifiers are used.

The Tribunal passage in paragraph19 is quoted precisely because the Supreme Court finds its description of lower-authority reasoning erroneous. It is not the Supreme Court's affirmative finding that the payment is revenue expenditure.

Pages54-60 and92-94 mentioned in the judgment are SLP paper-book references, not physical pages of this ten-page source.

No specific section, reported citation, final deduction result, costs order or remand deadline is invented where absent.

No reported or neutral citation printed in the reviewed original; none assigned.

The judgment concerns an income-tax deduction but does not expressly identify a numbered deduction provision. Section 37 or another section is not silently supplied as a provision adjudicated.

STATUTORY SCOPE

Historical deduction dispute for AY1993-94; no specific deduction section expressly identified or decided in this short remand judgment

No current substantive deduction ruling or automatic Income-tax Act, 2025 mapping.

LATER TREATMENT

Source checked 2026-10-04. Subsequent appeals, review proceedings, stays, reversals and later judicial treatment have not been comprehensively checked. This note is not a citator status certificate.

IDENTIFIED SOURCE LINKS

[official signed judgment - PDF pages: 10](#)

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