

Commissioner of Income Tax, Karnal (Haryana) v. M/s Carpet India, Panipat (Haryana)

Civil Appeal Nos. 4590-4599 and 4603 of 2018

[2019] 12 SCR 607 | 2019-08-27

Whether the section 80HHC scheme permits a supporting manufacturer to receive the same export-incentive deduction treatment as a direct exporter, and whether some respondents should be allowed to establish that they also acted as direct exporters.

80HHC(1) | 80HHC(3) | 80HHC(1A) | 80HHC(3A) | 80HHC Explanation (baa) | 28(iia)-(iie)

Three-judge bench | R. F. Nariman, J. | R. Subhash Reddy, J. | Surya Kant, J.

Assessment years: 2001-02

Split outcome: four Revenue appeals allowed; seven appeals remanded

CA 4590, 4591, 4592 and 4603 were allowed for Revenue. CA 4593-4599 were remanded to the Tribunal so the respondents could prove any direct-exporter capacity. The Court distinguished Baby Marine Exports; it overruled the identified CA 6437/2012 decision of 12 September 2012. The source inconsistently names the latter Sushil/Satish Kumar Gupta.

[paragraphs 5 / PDF pages 9, 10, 11 / judgment](#); [paragraphs Cover/connected list; 16 / PDF pages 1, 2, 15 / judgment](#)

01 FACTS OF THE CASE

The Punjab and Haryana High Court had rejected Revenue's appeals by treating supporting manufacturers on par with direct exporters, relying on Baby Marine Exports. For CA 4590, 4591, 4592 and 4603, supporting-manufacturer status was undisputed. The Supreme Court therefore did not recount each taxpayer's facts or assessment years (paragraphs 1-2).

The matter came before three judges following the 27 April 2018 Carpet India reference, expressly identified in paragraph 5. That earlier record supplies the lead Carpet India AY 2001-02 facts: carpet sales to IKEA Trading (India) Ltd. as an Export House and a deduction claim involving duty drawback. Those lead facts are not attributed to every respondent. A separate group, CA 4593-4599, sought the opportunity to establish that they were direct exporters as well (paragraph 8).

Source: [reported judgment / paragraphs 1-2; 5; 8 / PDF pages 3, 9, 10, 11 / judgment](#); [reported judgment / paragraphs 3 / PDF pages 4, 5 / judgment](#)

02 DISCUSSION BY THE HON'BLE COURT

Section 80HHC(1) read with subsection (3) governs direct-export profits. Section 80HHC(1A) read with subsection (3A) governs a supporting manufacturer's profits from certified sales to an Export or Trading House. The Court emphasised that the export-incentive additions in the provisos to subsection (3) are absent from subsection (3A). Supporting-manufacturer profits must therefore be computed under subsection (3A) with Explanation (baa), including the specified 90% reduction, rather than importing the direct-exporter additions (paragraphs 2-4).

Baby Marine Exports concerned an export-house premium forming part of the supplier's business profits. It did not decide the separate question of parity for statutory export incentives. The three-judge Court agreed with the reference's distinction and held that Baby Marine could not justify treating supporting manufacturers on par with direct exporters on this issue. It distinguished Baby Marine; it did not overrule that decision (paragraphs 5-6).

The Court expressly overruled the decision in CA 6437/2012 dated 12 September 2012 that had used Baby Marine to decide the export-benefits question. The quotation in paragraph 5 names it Sushil Kumar Gupta, while paragraph 6 calls it Satish Kumar Gupta. This note anchors the treatment to the expressly stated appeal number and date and flags the unresolved name inconsistency. The earlier decision's complete text was not independently reviewed in this four-case assignment.

The Court kept the factual question of dual capacity separate. In CA 4593-4599, the respondents could adduce facts before the Tribunal to show that they were also direct exporters and could claim under section 80HHC(1) read with subsection (3). The remand gave an opportunity to prove entitlement; it did not itself find that they were direct exporters or award a quantified deduction (paragraph 8).

Source: [reported judgment / paragraphs 2-6 / PDF pages 3, 4, 5, 6, 7, 8, 9, 10, 11 / judgment](#); [official signed judgment / paragraphs 3-6 / PDF pages 6, 7, 8, 9, 10, 11 / judgment](#)

03 JUDICIAL DECISION

CA 4590, 4591, 4592 and 4603 of 2018 were allowed for Revenue and the impugned judgments set aside (paragraph 7, read with the opening appeal-group heading). In CA 4593-4599 of 2018 the impugned judgments were also set aside, but the matters were remanded to the Appellate Tribunal to permit proof of direct-exporter capacity and corresponding statutory entitlement (paragraph 8). The Court rejected parity based solely on supporting-manufacturer status; it did not abolish the separate deduction expressly available to supporting manufacturers.

Source: [reported judgment / paragraphs Opening heading; 7-8 / PDF pages 3, 11 / judgment](#); [official signed judgment / paragraphs Opening heading; 7-8 / PDF pages 1, 11 / judgment](#)

04 OUTCOME / IN WHOSE FAVOUR

In whose favour: Revenue on the common parity issue and in four final appeal dispositions; the seven remanded matters retain a fact-dependent route for assessees

CA 4590/4591/4592/4603 allowed for Revenue; CA 4593-4599 disposed of with Tribunal remand after setting aside the impugned judgments

Final three-judge statutory ruling with separately limited factual remands

No blanket denial of all section 80HHC relief to supporting manufacturers, no finding that the remanded respondents qualify as direct exporters, and no quantified reassessment. CA 4601/4602 from the 2018 reference are absent from this judgment's operative groups.

Source: [official signed judgment / paragraphs Opening heading; 7-8 / PDF pages 1, 11 / judgment](#)

05 AKHB REVIEW POINT

Start with capacity and receipts, then select the computation route. Keep supporting-manufacturer sales, direct exports, export-house premium and statutory incentives separately supported in the records. The certificate-based supporting-manufacturer route does not automatically carry the subsection (3) incentive additions available under the distinct direct-exporter scheme.

For the remanded appeal group, retain the contracts, customs/export documentation, turnover records and other evidence necessary to establish actual direct-export activity. Do not record the remand as an outright assessee victory or a finding of entitlement. For CA 4590/4591/4592/4603, preserve the unqualified Revenue disposition actually made.

Treat the 2018 reference and 2019 merits judgment as separate documents with linked procedural history. The express distinction of Baby Marine is narrower than an overruling of that case. Any claim based on another assessment year requires verification of its historical statutory text and relevant later treatment; no current-law or Income-tax Act, 2025 equivalence is certified.

Source: [reported judgment / paragraphs 2-8 / PDF pages 3, 4, 5, 6, 7, 8, 9, 10, 11 / judgment](#)

DETAILED DISPOSITION AND CONNECTED GROUPS

Appeal groups

1.

Case numbers: Civil Appeal No. 4590 of 2018; Civil Appeal No. 4591 of 2018; Civil Appeal No. 4592 of 2018; Civil Appeal No. 4603 of 2018

In whose favour: Revenue

Disposition: Appeals allowed and impugned judgments set aside

Pinpoint

Source url: [Open cited source](#)

Paragraphs: Opening heading and 7

Pdf pages: 1; 11

Source role: judgment

2.

Case numbers: Civil Appeal No. 4593 of 2018; Civil Appeal No. 4594 of 2018; Civil Appeal No. 4595 of 2018; Civil Appeal No. 4596 of 2018; Civil Appeal No. 4597 of 2018; Civil Appeal No. 4598 of 2018; Civil Appeal No. 4599 of 2018

In whose favour: Revenue obtains setting aside; assessee may establish direct-exporter entitlement on remand

Disposition: Remanded to the Appellate Tribunal for evidence of direct-exporter capacity; appeals disposed of

Pinpoint

Source url: [Open cited source](#)

Paragraphs: 8

Pdf pages: 11

Source role: judgment

ADDITIONAL STATUTORY CONTEXT, NOT SEPARATE HOLDINGS

80HHC(1B); 80HHC(4A)

PROVISION-SPECIFIC SCOPE

1.

Act: Income-tax Act, 1961

Section: 80HHC(1); 80HHC(3) and provisos

Role: direct-exporter route contrasted

Basis: Its statutory incentive additions cannot be imported into the supporting-manufacturer route; direct-exporter entitlement remains open to proof for seven remanded respondents.

2.

Act: Income-tax Act, 1961

Section: 80HHC(1A); 80HHC(3A); Explanation (baa)

Role: supporting-manufacturer route applied

Basis: Certified-sale profits computed under the separate scheme and defined business-profit reduction.

3.

Act: Income-tax Act, 1961

Section: 28(iia)-(iie); 80HHC(1B); 80HHC(4A)

Role: incentive categories and incorporated framework

Basis: No independent section 28 quantification, certificate factual dispute or later-amendment ruling was decided.

JUDICIAL AUTHORSHIP AND SEPARATE OPINIONS

R. F. Nariman, J.

ACT IDENTIFIED IN THE REVIEWED SOURCE

Income-tax Act, 1961

VERIFIED CONNECTION BETWEEN REFERENCE AND MERITS DECISION

Status: specific reference to merits connection verified

Case id: sc-2018-04-27-carpet-india-reference

Date: 2018-04-27

Finding: Paragraph 5 identifies the two-judge Carpet India reference. The reviewed reference and this decision are separate stages, not duplicate final ratios. The 2019 appeal list excludes reference-list CA 4601/4602; this review supplies no unverified outcome for them.

Pinpoints

1.

Source url: [Open cited source](#)

Paragraphs: 5

Pdf pages: 9; 10; 11

Source role: judgment

2.

Source url: [Open cited source](#)

Paragraphs: Cover/connected list; 16

Pdf pages: 1; 2; 15

Source role: judgment

SOURCE & VERIFICATION

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

Identified source rendition: 11 PDF pages; SHA-256

8e8372a68b2b0963e96c29a9e501e55e582eae1a97e941214a4080f093965258. Original bytes preserved.

Cover and first operative appeal group on physical page 1; judicial paragraphs 1-8 on physical pages 1-11; split disposition, signatures and date on page 11.

Complete original read.

[Open cited source rendition](#)

Two operative appeal groups must not be flattened into one unqualified winner or blanket remand.

Baby Marine Exports is distinguished; the expressly overruled decision is identified by CA 6437/2012 dated 12 September 2012.

Sushil/Satish Gupta source inconsistency remains flagged; no independent identity correction has been asserted.

Quoted reference paragraph numbers inside the 2019 judgment differ from the corresponding passages in the actual 2018 source; pins remain source-relative.

The 2019 signature timestamp is in September; the judgment date stated is 27 August 2019.

No outcome for CA 4601/4602 or AY for non-lead respondents is inferred.

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

The 2019 judgment does not recite individual assessment years. AY 2001-02 is verified only for lead Carpet India/CA 4590 from paragraph 3(b) of the connected 27 April 2018 reference, which the 2019 judgment expressly identifies. Other connected appeal AYs remain unstated and are not inferred.

STATUTORY SCOPE

Historical section 80HHC(1)/(3), section 80HHC(1A)/(3A), Explanation (baa), and the section 28(iia)-(iie) incentive categories as reproduced and applied in this judgment. The lead AY 2001-02 derives from the expressly connected 2018 reference. The quotation of turnover-based provisos is not an independent determination of their retrospective validity or every later amendment.

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: 11](#)

SHA-256: 8e8372a68b2b0963e96c29a9e501e55e582eae1a97e941214a4080f093965258

[reported judgment - PDF pages: 11](#)

SHA-256: deadda58a04847d9f5ee54b510cf57f1c7498e785aa8dcf84914ce74f8fbd40a

[official signed judgment - PDF pages: 15](#)

SHA-256: 0e8c20d80d77b5a363840f911d878430186e92a0bf8ed657244eff93fea3604b

[reported judgment - PDF pages: 13](#)

SHA-256: cca12cae6abcc158a1ee789eedbe2e92908fd47749a35b967d8ab7aed3ce6fb7

[Related note: Commissioner of Income Tax, Karnal \(Haryana\) v. M/s Carpet India, Panipat \(Haryana\)](#)

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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