

Maruti Suzuki India Ltd. (earlier known as Maruti Udyog Ltd.) v. Commissioner of Income Tax, Delhi

Civil Appeal No. 11923 of 2018 / Civil Appeal No. 11924 of 2018

[2020] 2 SCR 658 | 2020-02-07

Whether unused MODVAT credit and the sales-tax recoverable balance qualified for deduction under section 43B, and whether use of the MODVAT credit in the next financial year before the return due date brought it within the first proviso.

43B(a) | 43B first proviso

Two-judge bench | Ashok Bhushan, J. | Navin Sinha, J.

Assessment years: 1999-2000, 2000-01

01 FACTS OF THE CASE

Maruti manufactured vehicles and purchased excisable raw materials and inputs. Supplier invoices included input excise duty, against which the company obtained MODVAT credit usable to discharge its own duty on manufactured vehicles. For assessment year 1999-2000 it claimed deduction under section 43B of Rs.69,93,00,428 remaining as unused MODVAT credit on 31 March 1999. It also claimed deduction of the balance in its separate sales-tax recoverable account (paragraphs 1-3 and 9).

The Assessing Officer, CIT(A), Tribunal and Delhi High Court rejected the claims. Two Supreme Court appeals concerned assessment years 1999-2000 and 2000-01; the first supplied the detailed factual example. Maruti argued that paying the duty component in supplier invoices was payment of excise duty and, alternatively, that the entire unused credit was utilised by 30 April 1999, before the stated return due date of 30 September 1999 (paragraphs 1-7 and 33).

The judicial sources themselves give three variants for the sales-tax figure: Rs.3,08,88,171 in paragraph 1, Rs.3,08,99,171 in paragraphs 2, 3 and 9, and Rs.3,08,79,171 in paragraph 31. The note does not choose an unverified corrected amount; the holding concerns the identified account and deduction claim.

Source: [reported judgment / paragraphs 1-7 / PDF pages 6, 7, 8 / judgment](#); [reported judgment / paragraphs 9; 31; 33 / PDF pages 9, 17 / judgment](#)

02 DISCUSSION BY THE HON'BLE COURT

The Court read section 43B as requiring a qualifying sum payable by the assessee under law and actual payment by that assessee. Under the historical excise scheme, the supplier was liable for excise duty on the inputs it manufactured. Passing that duty's economic burden to Maruti in the purchase price did not transfer the supplier's statutory liability to Maruti (paragraphs 10-17).

Maruti could use its MODVAT credit to discharge duty on its own vehicles. However, the unused balance was neither a sum payable by Maruti as input excise duty nor actual payment by it of the vehicle duty for which no further liability remained at year-end. Its entitlement to a credit did not independently satisfy section 43B. The Court therefore rejected deduction of the unused MODVAT amount (paragraphs 15-18).

The observations in Eicher Motors that credit was as good as tax paid concerned protection of accrued credits from a later lapsing rule. Dai Ichi Karkaria dealt with excise valuation and credit use. Berger Paints concerned duties actually paid, rather than unused MODVAT credit. The Court distinguished their subject matter instead of reading isolated credit-related language as deciding this income-tax deduction (paragraphs 19-30).

For the sales-tax account, the Court adopted the High Court's analysis: the company booked purchases net of sales tax, recorded the tax separately as recoverable and could set it off against tax on subsequent vehicle sales. It upheld the disallowance by reference to its preceding reasoning. The discussion was about this recoverable/set-off arrangement, not a general prohibition on deducting sales tax (paragraphs 31-32).

The first proviso did not help. It addresses payment by the return due date of a liability incurred in the relevant previous year. Here, the further duty liability arose on removal of the finished vehicles in the next financial year beginning 1 April 1999; the company had no further excise duty payable as of 31 March 1999 against which this balance had to be adjusted. Later utilisation before filing could not supply that missing prior-year liability (paragraphs 33-34).

Source: [reported judgment / paragraphs 10-18 / PDF pages 9, 10, 11, 12 / judgment](#); [reported judgment / paragraphs 19-30 / PDF pages 12, 13, 14, 15, 16, 17 / judgment](#); [reported judgment / paragraphs 31-34 / PDF pages 17, 18 / judgment](#)

03 JUDICIAL DECISION

Both assessee appeals were dismissed. The Court upheld the High Court's answers in favour of Revenue on the unused MODVAT credit and sales-tax recoverable-account deduction claims, and rejected the alternative first-proviso argument. There was no remand or direction to recompute an allowance in these proceedings (paragraph 35).

Source: [official signed judgment / paragraphs 35 / PDF pages 31, 32 / judgment](#); [reported judgment / paragraphs 35 / PDF pages 18 / judgment](#)

04 OUTCOME / IN WHOSE FAVOUR

In whose favour: Revenue

Civil Appeals 11923 and 11924 of 2018 dismissed; both challenged deduction disallowances upheld

Substantive section 43B deduction ruling under the historical MODVAT and sales-tax framework

The judgment does not cancel the credit entitlement or deny lawful future utilisation. It does not determine present GST-credit treatment or every category of advance tax/duty payment.

Source: [official signed judgment / paragraphs 35 / PDF pages 31, 32 / judgment](#)

05 AKHB REVIEW POINT

Identify the statutory taxpayer, the liability period and the payment or adjustment that discharges that liability. A tax component in a purchase invoice, an input-credit asset and payment of the purchaser's own output-duty liability are different steps. Retain invoices, credit ledgers, removal records and return dates to test each condition; use before the return due date cannot cure a liability that arose only in the following year.

Confine the precedent to its historical credit and deduction setting. It does not support a blanket denial of unused credit under every tax regime or override a different statutory payment mechanism. The reported sales-tax amount is internally inconsistent and should be checked in the underlying record before any numerical reuse. Later treatment, amendments and any Income-tax Act, 2025 application remain unverified.

Source: [reported judgment / paragraphs 11-18; 22-30; 31-35 / PDF pages 10, 11, 12, 14, 15, 16, 17, 18 / judgment](#)

ADDITIONAL STATUTORY CONTEXT, NOT SEPARATE HOLDINGS

139(1); 260A; 28; 36(1)(ii); 263; 256(1)

PROVISION-SPECIFIC SCOPE

1.

Act: Income-tax Act, 1961

Section: 43B(a); first proviso to 43B

Role: principal deduction provisions

Basis: Whether unused MODVAT credit and the sales-tax recoverable balance constituted the assessee's qualifying tax payment, and whether later use before the return due date supplied the missing prior-year liability.

2.

Act: Income-tax Act, 1961

Section: 139(1)

Role: return due-date context

Basis: The section 43B proviso refers to the statutory return due date.

3.

Act: Income-tax Act, 1961

Section: 260A

Role: High Court appeal procedure

Basis: The assessee challenged the Tribunal's disallowances before the Delhi High Court.

4.

Act: Income-tax Act, 1961

Section: 28; 36(1)(ii)

Role: quoted section 43B context

Basis: Appear in the reproduced statutory text; no separate business-head or employee-bonus issue was decided.

5.

Act: Income-tax Act, 1961

Section: 263; 256(1)

Role: quoted precedent procedure

Basis: Appear in the discussion of Berger Paints; they do not describe the route of these appeals.

6.

Act: Central Excise Rules, 1944

Section: 2(3); 57A-57I, including 57F(4A)

Role: historical credit framework and precedent context

Basis: The definition of assessee, credit utilisation and distinctions from Eicher Motors and Dai Ichi Karkaria were considered.

7.

Act: Central Excise Act, 1944

Section: 4

Role: quoted valuation precedent

Basis: Dai Ichi Karkaria concerned excise valuation, not section 43B deduction of an unused credit balance.

JUDICIAL AUTHORSHIP AND SEPARATE OPINIONS

Ashok Bhushan, 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: 32 PDF pages; SHA-256

b38a93debe6a60fbc33380c1125fc22e501c010c20324ad4bab51dfa029a4ae. Original bytes preserved.

Judgment paragraphs 1-35 on physical pages 1-32; opening factual paragraph is unnumbered in the official original but numbered 1 in the report. Signatures/date appear on page 32.

Identity, key factual and reasoning passages, disposition and signatures/date cross-checked against the fully read reported judicial text; a complete independent rereading of every original PDF page is not claimed.

Open cited source rendition

The full judicial text identifies two appeals and two assessment years; the reported cover lists only the lead appeal.

Sales-tax figures differ within both the original and reported judgments; all three variants are disclosed without editorial correction.

Paragraph 1 refers once to the Central Excise Act, 1994; the operative analysis in paragraphs 14-15 identifies the Central Excise Act, 1944. The latter is the governing statutory context used in this note.

Paragraph 6 abbreviates the MODVAT balance differently; the exact Rs.69,93,00,428 figure is repeatedly used in paragraphs 1, 3, 9 and 11 and in the framed question.

Opening paragraph is numbered 1 in the report but not in the official original.

No subsequent-treatment or current-law verification.

Reported citation verified on the source cover. No neutral citation is inferred from catalogue metadata.

Both years are identified in opening paragraph 1. The detailed facts and 31 March 1999 credit balance concern assessment year 1999-2000; those numbers are not attributed to the companion year.

STATUTORY SCOPE

Section 43B(a) and its first proviso as examined for assessment years 1999-2000 and 2000-01 in the historical MODVAT and sales-tax credit framework. No extension to present GST/input-tax-credit treatment or later section 43B amendments is verified.

No automatic Income-tax Act, 2025 mapping or current-law or later-treatment certification.

LATER TREATMENT

Source checked 2026-10-04. Subsequent judicial treatment and statutory amendments have not been comprehensively verified.

IDENTIFIED SOURCE LINKS

official signed judgment - PDF pages: 32

SHA-256: b38a93debe6a60fbc33380c1125fc22e501c010c20324ad4bab51dfa029a4ae

reported judgment - PDF pages: 18

SHA-256: d86bc495a2a71c3b32e3a4c6daef8045c0e17bc410b2b7b1afc9c6a166b237b4

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