

Commissioner of Income Tax, Udaipur v. Chetak Enterprises Pvt. Ltd.

Civil Appeal No. 1764 of 2010 (arising from SLP(C) No. 6772 of 2009)

[2020] 4 SCR 44 | 2020-03-05

Whether an infrastructure enterprise converted from a partnership into an Indian company met section 80-IA's company-ownership and government-agreement conditions when the road agreement was originally made with the predecessor firm.

80-IA(4)(i)(a) | 80-IA(4)(i)(b)

2-judge bench | A. M. Khanwilkar, J. | Dinesh Maheshwari, J.

Assessment years: 2002-03

01 FACTS OF THE CASE

A partnership firm contracted with Rajasthan to construct a road and collect tolls. It completed construction on 27 March 2000, converted into Chetak Enterprises Pvt. Ltd. under Part IX of the Companies Act on 28 March 2000, and the road was inaugurated on 1 April 2000. The company then collected tolls. The State acknowledged the conversion and gave the company a fresh registration code (paragraphs 2-3 and 6).

The intended conversion had been disclosed to the Chief Engineer when replying to the bid invitation on 23 October 1998. The Chief Engineer's acceptance of 27 August 1999 formed part of the eventual agreement, which included the firm's successors and assigns (paragraphs 6 and 9).

For assessment year 2002-03 the Assessing Officer denied section 80-IA deduction on the company-ownership and government-agreement conditions. The Commissioner (Appeals) reversed that denial, and the Tribunal and High Court agreed. Revenue appealed. A separate appeal for assessment year 2001-02 had already been disposed of on 17 October 2019 for low tax effect, leaving the legal question open; it was not the merits appeal decided here (paragraphs 3-4 and 9).

Source: [official signed judgment / paragraphs 2-4 and 6 / PDF pages 1, 2, 12, 13, 14 / judicial text](#)

02 DISCUSSION BY THE HON'BLE COURT

The Court treated the Part IX conversion as statutory succession. Under section 575 of the Companies Act, the firm's property, including actionable claims, vested in the incorporated company without a separate conveyance. The firm ceased to exist in that form and the company succeeded it. The infrastructure business and agreement therefore had to be examined in the hands of that statutory successor (paragraph 7).

The company-ownership requirement in section 80-IA(4)(i)(a) was met: conversion had occurred before the assessment year, construction was already complete, and the company was carrying on the relevant infrastructure operations and collecting tolls. The fact that the predecessor partnership had constructed the road did not defeat that condition on these facts (paragraph 8).

The agreement requirement in clause (b) was also satisfied. The contemplated conversion had been expressly communicated and accepted, the agreement included successors and assigns, and the State sanctioned the company's succession. Together with statutory vesting, those facts meant that the original agreement operated in favour of the company. The Court did not dispense with the government-agreement requirement; it held it fulfilled through the demonstrated succession and governmental recognition (paragraph 9).

These were the two grounds on which the Assessing Officer had denied deduction. The appellate authorities were therefore justified in reversing him. Revenue's reliance on Giridhar G. Yadalam's discussion of interpretation of fiscal exemptions did not alter that conclusion (paragraphs 9-10).

Source: [official signed judgment / paragraphs 7 / PDF pages 14, 15 / judicial text](#); [official signed judgment / paragraphs 8 / PDF pages 15, 16 / judicial text](#); [official signed judgment / paragraphs 9 / PDF pages 16, 17 / judicial text](#); [official signed judgment / paragraphs 10 / PDF pages 17, 18 / judicial text](#)

03 JUDICIAL DECISION

Revenue's appeal was dismissed without costs. The company's entitlement to the section 80-IA deduction for the year in appeal was sustained against the two disputed eligibility conditions. There was no fresh merits remand or separate determination of deduction quantum in this judgment (paragraphs 9-11).

Source: [official signed judgment / paragraphs 9-11 / PDF pages 17, 18 / judicial text](#)

04 OUTCOME / IN WHOSE FAVOUR

In whose favour: Assessee company

Revenue appeal dismissed without costs; deduction-favourable appellate result sustained

Final merits ruling on the two disputed section 80-IA eligibility conditions for assessment year 2002-03

Fact-specific Part IX succession with State recognition. No universal exemption for converted firms, no ruling on all other deduction conditions, and no merits decision attributed to the separate earlier low-tax-effect dismissal.

Source: [official signed judgment / paragraphs 4 and 9-11 / PDF pages 12, 17, 18 / judicial text](#)

05 AKHB REVIEW POINT

For a conversion case, trace the legal succession rather than stopping at the name on the original agreement. Preserve the Part IX incorporation material, statutory vesting basis, tender correspondence, agreement's successor language and State recognition. Those facts supported both company ownership and succession to the government contract here.

Do not convert this result into a general waiver of infrastructure deduction conditions or treat every contractual transfer as statutory vesting. Confirm the governing deduction and corporate-law versions, the actual assessment year and subsequent treatment. The earlier low-tax-effect disposal for another year is procedurally distinct from this merits ruling.

Source: [official signed judgment / paragraphs 6-9 / PDF pages 13, 14, 15, 16, 17 / judicial text](#)

ADDITIONAL STATUTORY CONTEXT, NOT SEPARATE HOLDINGS

80-IA

OTHER GOVERNING STATUTES

1.

Act: Companies Act, 1956

Provisions: Part IX; 575

Role: Statutory conversion and vesting of the partnership business in the company

JUDICIAL AUTHORSHIP AND SEPARATE OPINIONS

A. M. Khanwilkar, 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: 18 PDF pages; SHA-256
d2f4eb4dc2d8d93030d11b9bdfe788313ff445aa0734c5207fe675844ea3f275. Original bytes preserved.
Judgment paragraphs 1-11 on physical pages 1-18. Extended statute and High Court quotation within
paragraph 3 precede the Court's own analysis in paragraphs 6-10.

Open cited source rendition

Reported SCR citation verified on the cover; no neutral citation inferred from catalogue metadata.

Paragraphs 2 and 4 expressly identify assessment year 2002-03 and previous year 2001-02. The separate
appeal for 2001-02 had earlier been disposed of for low tax effect with the legal question open.

The High Court passage reproduced within paragraph 3 refers to previous year 1 April 2000-31 March
2001, while the Supreme Court's own paragraphs 2 and 4 expressly identify this appeal as assessment
year 2002-03 with previous year 2001-02. The quoted passage is not used to change the operative year.;
The lengthy reproduced section 80-IA text is historical source material; this note does not certify its rates
or every subsection as current law.; Civil Appeal No. 1748 of 2010 for assessment year 2001-02 is
procedural background only, not a second appeal disposed of on merits by this judgment.

STATUTORY SCOPE

Section 80-IA(4)(i)(a)-(b) as adjudicated for assessment year 2002-03, together with statutory conversion
under Part IX and section 575 of the Companies Act, 1956.

No automatic Income-tax Act, 2025 mapping or present-law certification.

LATER TREATMENT

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

IDENTIFIED SOURCE LINKS

[official signed judgment - PDF pages: 18](#)

SHA-256: d2f4eb4dc2d8d93030d11b9bdfe788313ff445aa0734c5207fe675844ea3f275

[reported judgment - PDF pages: 16](#)

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