

Commissioner of Income Tax-I v. M/s Reliance Energy Ltd. (formerly BSES Ltd.), through its M.D.

Civil Appeal No. 1327 of 2021 / Civil Appeal No. 1328 of 2021 / Civil Appeal No. 1329 of 2021 / Civil Appeal No. 2537 of 2016 / Civil Appeal No. 1408 of 2021 / Civil Appeal No. 1508 of 2021
[2021] 4 S.C.R. 190 | 2021-04-28

Whether a deduction already quantified under section 80-IA is capped by income under the business head alone, or may be allowed against gross total income subject to the Chapter VI-A ceiling.

80-IA(1) | 80-IA(5) | 80AB | 80A(1) | 80A(2)

Two-judge bench | L. Nageswara Rao, J. | Vineet Saran, J.

Assessment years: 2002-03

01 FACTS OF THE CASE

Reliance Energy generated power at its Dahanu unit and also purchased and distributed power. For the factual lead AY 2002-03, the Assessing Officer quantified eligible section 80-IA income at Rs 492,78,60,973. Business income was Rs 355,74,73,451 and gross total income was Rs 397,37,70,178, including Rs 41,62,96,727 from other sources. The officer nevertheless restricted the section 80-IA allowance to Rs 354,00,75,084 by limiting the combined section 80-IA and section 80-IB deductions to business income. CIT(A) reversed that head-of-income restriction and directed aggregation of allowable deductions up to gross total income. The Tribunal and High Court agreed on that issue. The Revenue appealed. The quantum of eligible-business income at Rs 492,78,60,973 was not disputed before the Supreme Court.

Source: [official signed judgment / paragraphs Introduction;1-6 / PDF pages 1, 2, 3, 4, 5, 6, 7 / judgment; reported rendition / paragraphs Introduction;1-6 / PDF pages 3, 4, 5, 6, 7 / judgment](#)

02 DISCUSSION BY THE HON'BLE COURT

The Court separated computation of the eligible deduction from the stage at which that deduction is allowed against total income. Section 80AB concerns quantification by reference to net eligible income computed under the Act. It does not confine allowance of the resulting deduction to the income head under which that eligible profit arose. Section 80A(1) allows Chapter VI-A deductions from gross total income; section 80A(2) limits their aggregate to gross total income (paragraph 9).

Section 80-IA(1) likewise allows the eligible-business deduction in computing total income. On the agreed quantum in this case, it was not limited to business income alone: the gross-total-income ceiling could include income from other sources. That does not make those other receipts profits derived from the eligible business or enlarge the deduction's initial computation base (paragraphs 10-12).

The fiction in section 80-IA(5), treating the eligible business as the only source of income, operates in determining the deduction's quantum. It does not impose a separate business-head cap on allowing the already computed amount. The Court discussed Synco Industries and Canara Workshops to explain this distinction. It considered the Revenue's subsection (5) argument although the lower forums had not discussed it. Having resolved the appeal on that basis, it expressly found it unnecessary to address the further argument seeking the narrowest reading of derived-from language (paragraphs 13-15).

Source: [official signed judgment / paragraphs 9-15 / PDF pages 9, 10, 11, 12, 13, 14, 15, 16, 17, 18 / judgment](#); [reported rendition / paragraphs 9-15 / PDF pages 8, 9, 10, 11, 12, 13 / judgment](#)

03 JUDICIAL DECISION

Civil Appeal 1328/2021 was dismissed on the issue of the extent of the section 80-IA deduction. Civil Appeals 1327/2021, 1329/2021, 2537/2016, 1408/2021 and 1508/2021 were disposed of in terms of that ruling. Civil Appeal 1509/2021 was de-tagged for unrelated questions. The Court supplied no new final tax computation or express costs direction.

Source: [official signed judgment / paragraphs 15 and following operative directions / PDF pages 17, 18 / judgment](#); [reported rendition / paragraphs 15 and following operative directions / PDF pages 13 / judgment](#)

04 OUTCOME / IN WHOSE FAVOUR

In whose favour: Assessee on the business-head restriction disputed under section 80-IA

Lead Revenue appeal dismissed on the stated issue; five connected appeals disposed of in the same terms; Civil Appeal 1509/2021 de-tagged

Extent of allowance decided; accepted eligible-business quantum distinguished from aggregate deduction ceiling

Gross total income remains the section 80A(2) ceiling. The judgment does not permit deductions above that ceiling or treat every other-source receipt as eligible-business profit. The de-tagged appeal's merits and disposition are not decided here.

Source: [official signed judgment / paragraphs 12-15 and connected-appeal directions / PDF pages 13, 14, 15, 16, 17, 18 / judgment](#); [reported rendition / paragraphs 12-15 and connected-appeal directions / PDF pages 10, 11, 12, 13 / judgment](#)

05 AKHB REVIEW POINT

Use two distinct worksheets: first compute net eligible-business profits and the statutory deduction; then apply the allowable deductions in computing total income, respecting the aggregate gross-total-income ceiling. Do not confuse the eligible-business-only computation fiction with a cap confined to the business-income head. Equally, this judgment does not relax the requirement that the deduction itself be based on eligible profits. Record each connected appeal separately and do not attribute the de-tagged appeal or all years to the lead facts. Verify the relevant historical version and subsequent treatment before reliance.

Source: [official signed judgment / paragraphs 9;12-15 / PDF pages 9, 10, 11, 13, 14, 15, 16, 17, 18 / judgment](#); [reported rendition / paragraphs 9;12-15 / PDF pages 8, 9, 10, 11, 12, 13 / judgment](#)

ADDITIONAL STATUTORY CONTEXT, NOT SEPARATE HOLDINGS

80-IB; 80-I(6); 80-E; 80M

JUDICIAL AUTHORSHIP AND SEPARATE OPINIONS

L. Nageswara Rao, 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

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The cover begins with Civil Appeal 1327/2021, but Civil Appeal 1328/2021 is the express factual lead. The distinct de-tagged appeal 1509/2021 is excluded from the merits result.

The Rs 492,78,60,973 amount is accepted eligible-business income, not an amount allowed above the lower gross total income. The aggregate deduction ceiling remains explicit.

The net-income computation point is distinct from a claim that income from other sources qualifies as profits derived from the eligible business.

The Court expressly declines the further derived-from argument in paragraph 15; cited authorities are not presented as broadly overruled.

No new costs order, final tax amount or AY for each companion appeal is invented.

AY 2002-03 belongs to the factual lead, Civil Appeal 1328/2021. The reference to AY 2000-01 describes the Revenue's earlier stand; no common year is assigned to all connected appeals.

The cover also lists Civil Appeal 1509/2021, which the operative order expressly de-tags because it raises different questions. It is not counted among appeals disposed of on this issue. Civil Appeal 1328/2021, not the first cover appeal, supplies the factual lead.

STATUTORY SCOPE

Historical section 80-IA and related Chapter VI-A provisions considered for the lead AY 2002-03

No current eligibility period, deduction rate or automatic Income-tax Act 2025 mapping is certified.

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: 18](#)

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