

M/s Polyflex (India) Pvt. Ltd. v. The Commissioner of Income Tax & Another

Civil Appeal No. 8260 of 2022

[2022] 10 S.C.R. 127 | 2022-11-17

Whether the assessee's polyurethane foam, supplied in different sizes and designs for use by assembly operators in automobile seats, was an excluded article under entry 25 of the Eleventh Schedule, making the section 80-IB deduction unavailable for AY 2003-04.

80-IB | 80-IB(2)(iii)

Two-judge bench | M. R. Shah, J. | M. M. Sundresh, J.

Assessment years: 2003-04

01 FACTS OF THE CASE

The assessee operated a manufacturing unit at Pune and claimed a deduction under section 80-IB for AY 2003-04. It manufactured polyurethane foam from Polyol and Isocyanate and supplied it in shapes, sizes or designs ultimately used for automobile seats. The AO denied the deduction because polyurethane foam fell within entry 25 of the Eleventh Schedule and attracted section 80-IB(2)(iii); CIT(A) agreed. The Tribunal reversed those orders, accepting that the relevant final product was an automobile seat rather than polyurethane foam. On the Revenue's appeal, the Karnataka High Court held that the assessee manufactured foam and undertook no further process to convert it into automobile seats; it restored the AO's denial of the deduction. The assessee appealed. Its claims concerning orders and sales-tax treatment as automobile seats, a favourable CEGAT excise-classification order, and a commercially distinct finished product were arguments presented to the Court, not findings it adopted.

Source: [reported rendition / paragraphs 1-2.2 / PDF pages 3, 4 / judgment](#); [reported rendition / paragraphs 3.1-3.8 / PDF pages 5, 6 / assessee submission](#); [official signed judgment / paragraphs 1-2.2 / PDF pages 1, 2, 3, 4 / judgment](#); [official signed judgment / paragraphs 3.1-3.8 \(including repeated 3.6 label\) / PDF pages 4, 5, 6, 7 / assessee submission](#)

02 DISCUSSION BY THE HON'BLE COURT

The Court accepted the High Court's finding about the product manufactured and sold by this assessee. It was polyurethane foam made by injecting the two chemicals and supplied to assembly operators in different sizes and designs. Those operators used it as an ingredient for automobile seats. The assessee itself undertook no further process to make the finished seats. A downstream user's conversion of that foam into seats did not establish that the assessee manufactured seats (paragraph 8).

Accordingly, the assessee's manufactured article remained polyurethane foam within entry 25 of the Eleventh Schedule. The exclusion in section 80-IB(2)(iii) therefore defeated the deduction claimed in this appeal (paragraph 10). The decisions in CIT v. Vinbros and Company, (2015) 14 SCC 483, and CIT v. Hindustan Petroleum Corporation Ltd., (2017) 15 SCC 254, relied on by the assessee, were held inapplicable on these findings (paragraph 9). The judgment does not lay down that every finished article containing foam is necessarily polyurethane foam, or supply a general rule reconciling income-tax and excise classifications. The source's first sentence in paragraph 7 uses "do not fall", which is inconsistent with its own factual application and explicit conclusion in paragraph 10; the exclusion is stated here from that clear conclusion rather than by repeating the apparent drafting error.

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

03 JUDICIAL DECISION

The Supreme Court dismissed the assessee's appeal and affirmed the High Court's restoration of the AO's denial of the section 80-IB deduction. There was no remand and no order as to costs.

Source: [reported rendition / paragraphs 10-11 / PDF pages 8, 9 / judgment](#); [official signed judgment / paragraphs 10-11 / PDF pages 11 / judgment](#)

04 OUTCOME / IN WHOSE FAVOUR

In whose favour: Revenue

Assessee's appeal dismissed; section 80-IB deduction denied; no costs

Deduction eligibility on the product-classification issue decided on merits

The decision concerns the product and manufacturing steps found in this assessee's AY 2003-04 record. It does not decide the eligibility of a different undertaking that itself manufactures finished automobile seats, every article made using foam, or every exception and condition within section 80-IB.

Source: [reported rendition / paragraphs 11 / PDF pages 9 / judgment](#); [official signed judgment / paragraphs 11; signature/date / PDF pages 11 / judgment](#)

05 AKHB REVIEW POINT

Identify the product at the point it leaves the claiming undertaking and document the operations actually performed by that undertaking. Orders, commercial descriptions, a customer's final use and treatment under another taxing statute should be tested against the manufacturing evidence and the applicable Eleventh Schedule entry. Preserve evidence of any additional process genuinely carried out by the claimant before drawing a comparison with this case. Do not treat the assessee's excise-classification submissions as an accepted holding, or turn this fact-specific refusal into a universal rule for all foam-containing products or all section 80-IB claimants. Read paragraph 7 with paragraphs 8-10 because of its apparent negative-wording error. Verify the applicable year's statutory text, relevant conditions and later judicial treatment; no automatic mapping to the Income-tax Act, 2025 is made.

Source: [reported rendition / paragraphs 2.2; 3.3-3.7 \(submissions\); 7-10 / PDF pages 4, 5, 6, 7, 8 / judgment; official signed judgment / paragraphs 2.2; 3.3-3.7 \(submissions\); 7-10 / PDF pages 3, 4, 5, 6, 7, 9, 10, 11 / judgment](#)

ADDITIONAL STATUTORY CONTEXT, NOT SEPARATE HOLDINGS

Eleventh Schedule, entry 25; Eleventh Schedule, entries 2 and 3 (assessee's comparison only)

SOURCE & VERIFICATION

[Hon'ble Supreme Court source PDF \(reported rendition\)](#)

Identified source rendition: 9 PDF pages; SHA-256

4ef8b1de272f68744d92c9957a53f4bdf4d6b4f0382234b5fff463fe658c9989. Original bytes preserved.

[Open cited source rendition](#)

Complete judicial text read in both renditions. The reported judgment begins on physical page 3 and ends on page 9, with no adjacent-case contamination.

The first sentence of paragraph 7, reproduced in the SCR headnote, says the assessee is ineligible if its goods "do not fall" within the Eleventh Schedule. This apparent negative-wording error is present in both reported and official originals. Paragraphs 8 and 10 clearly hold that the manufactured foam falls within entry 25 and that the deduction is therefore unavailable. No inverse exclusion proposition is adopted.

The official original labels two consecutive submissions 3.6 on physical page 6. The SCR rendition combines the second as an unnumbered continuation; substantive content agrees.

CEGAT classification, sales-tax treatment, commercial distinctness and the claim that the Tribunal's finding could not be reversed are assessee submissions. The Court decides against the assessee on the actual product and absence of further processing by it; it does not expressly resolve a general cross-statute classification rule.

Vinbros and Hindustan Petroleum are distinguished as inapplicable to these facts; they are not overruled.

No monetary amount of the claimed deduction is given in the judgment. No amount, small-scale status, location-based exception or other qualifying fact has been invented.

The verified citation is [2022] 10 S.C.R. 127. Index neutral citation 2022INSC1211 remains unverified; later treatment and current-law applicability are not certified.

SCR citation verified on physical PDF page 1. The source index records 2022INSC1211; that neutral citation is not printed in either inspected rendition and is not independently certified here.

AY 2003-04 is expressly stated in paragraph 2.

Appeal from the Karnataka High Court judgment dated 25 February 2014 in Income Tax Appeal 623/2007.

STATUTORY SCOPE

Section 80-IB(2)(iii) and Eleventh Schedule entry 25 as applied by the judgment for AY 2003-04; no independent consolidated current-statute audit

No certification of all deduction conditions or statutory exceptions and no automatic mapping to the Income-tax Act, 2025.

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

[reported rendition - Physical PDF page 1 / SCR page 127 - PDF pages: 9](#)

SHA-256: 4ef8b1de272f68744d92c9957a53f4bdf4d6b4f0382234b5fff463fe658c9989

[official signed judgment - PDF pages: 11](#)

SHA-256: 665b819841bc9421334658dd4891ebfb75c9e2a14c049e7de58c229ee08a5a73

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