

National Cooperative Development Corporation v. Assistant Commissioner of Income Tax

Civil Appeal No. 4612 of 2014 and connected proceedings (full list below)

2025 INSC 1414 | 2025-12-10

Whether dividends on share investments, interest from short-term bank deposits and fees for administering Sugar Development Fund loans qualify as profits derived from providing long-term finance for the section 36(1)(viii) deduction.

36(1)(viii)

Two-judge bench | Pamidighantam Sri Narasimha, J. | Atul S. Chandurkar, J.

Assessment years: 1999-2000, 2000-01, 2001-02, 2002-03, 2003-04, 2004-05, 2007-08

01 FACTS OF THE CASE

NCDC is a statutory corporation supporting the production, processing and marketing of agricultural produce and notified commodities on cooperative principles. Across the appeals it sought the special-reserve deduction under section 36(1)(viii) on three disputed income streams: dividends from share investments, interest on funds temporarily deposited with banks, and service charges for administering Sugar Development Fund loans. The Assessing Officer excluded these receipts, and the CIT(A), Tribunal and Delhi High Court upheld their exclusion. NCDC argued that its financing operations formed an integrated business, that redeemable preference shares were effectively loans, and that temporary deposits and SDF services were part of its statutory financing role. The common Supreme Court judgment concerns ten civil appeals from Delhi High Court decisions dated 28 November 2011, 10 April 2012 and 2 November 2012.

Source: [paragraphs 1-7 / PDF pages 2, 3, 4, 5, 6, 7](#); [paragraphs 35 / PDF pages 21](#)

02 DISCUSSION BY THE HON'BLE COURT

The Court read section 36(1)(viii) as a source-specific incentive rather than a general deduction for all income of a financial corporation. The Finance Act, 1995 had narrowed the earlier total-income base to profits from the specified long-term-financing business. The applicable definition required a loan or advance whose terms provided for repayment with interest over at least five years. A direct, first-degree connection to that activity was necessary; describing the whole undertaking as an integrated business could not enlarge the statutory benefit. The Court distinguished Meghalaya Steels, where subsidies reimbursed operating costs. On preference shares, the immediate source of dividends was the share investment and shareholder relationship, not a qualifying loan. A fixed redemption pattern or dividend rate did not convert the shares into long-term loans. For bank interest, the Court distinguished its earlier NCDC decision on business-income classification and section 37 expenses: business income can still fall outside the narrower section 36(1)(viii) deduction. The deposits, rather than long-term advances to borrowers, generated the interest. On SDF fees, the admitted facts were that the funds belonged to the Government of India and NCDC acted as an administrative agency without deploying its own capital or bearing lending risk. The fees arose from monitoring and disbursement services, not qualifying lending profits.

Source: [paragraphs 9-12 / PDF pages 7, 8, 9, 10](#); [paragraphs 14-20 / PDF pages 10, 11, 12, 13, 14](#); [paragraphs 21-23 / PDF pages 14, 15, 16](#); [paragraphs 24-28 / PDF pages 16, 17, 18, 19](#); [paragraphs 29-31 / PDF pages 19, 20](#)

03 JUDICIAL DECISION

None of the three disputed receipt categories qualified for the section 36(1)(viii) deduction. The Supreme Court affirmed the High Court conclusions, supplied additional statutory and precedential reasons, and dismissed all ten civil appeals. There was no order as to costs.

Source: [paragraphs 32-36 / PDF pages 20, 21](#)

04 OUTCOME / IN WHOSE FAVOUR

In whose favour: Revenue

All ten assessee appeals dismissed; no order as to costs

Substantive deduction eligibility decided on the merits

The decision concerns the special section 36(1)(viii) deduction for the disputed receipts under the historical statutory regime. It does not hold that all short-term deposit interest ceases to be business income or that ordinary business expenditure is never deductible. It is not a separate Supreme Court determination of every procedural issue that appeared in the underlying High Court appeals.

Source: [paragraphs 35-36 / PDF pages 21](#)

05 AKHB REVIEW POINT

For a legacy section 36(1)(viii) computation, build a receipt-by-receipt deduction schedule. Identify the immediate source, the financing instrument, repayment term, entitlement to interest, and the capacity in which the corporation acted. Separate a loan from share capital, temporary treasury income and an agency service. Business-income treatment or a statutory financing mandate alone is insufficient. Preserve loan agreements, share terms, bank-deposit records and SDF agency documentation, then test the special-reserve and other statutory conditions independently. The historical 40% figure discussed in this judgment should not be presented as a current-year rate. No provision-level mapping to the Income-tax Act, 2025 or automatic carryover of the holding has been verified.

Source: [paragraphs 9-12 / PDF pages 7, 8, 9, 10](#); [paragraphs 20-31 / PDF pages 13, 14, 15, 16, 17, 18, 19, 20](#)

APPEAL AND PROCEEDING NUMBERS

Civil Appeal No. 4612 of 2014 / Civil Appeal No. 4618 of 2014 / Civil Appeal No. 4616 of 2014 / Civil Appeal No. 4613 of 2014 / Civil Appeal No. 4615 of 2014 / Civil Appeal No. 4614 of 2014 / Civil Appeal No. 4617 of 2014 / Civil Appeal No. 4619 of 2014 / Civil Appeal No. 4620 of 2014 / Civil Appeal No. 4621 of 2014

SOURCE & VERIFICATION

Original Hon'ble Supreme Court PDF

Complete identified source PDF: 21 pages. Original bytes preserved.

Open cited source rendition

The repository preview described a procedural disposition before substantive review. Full reading establishes a reasoned merits judgment on section 36(1)(viii), not a non-speaking dismissal.

Assessment-year metadata is partially verified: seven years are established by the official 2011 High Court table; three connected appeals remain unverified. Do not display the seven-year list as exhaustive.

The earlier NCDC precedent cited at paragraphs 24-27 and its 1976-1984 years are distinct from the present decision and have not been substituted for the current batch.

The 10 April 2012 High Court PDF bundles a one-page order with the earlier 17-page judgment. Only its first page is the 2012 order; the annexed assessment-year table does not establish the years of ITA 227/2012 and 228/2012.

The historical 40% deduction rate is reported as part of the judgment's applicable framework, not as a statement of current law.

The SC judgment frames and decides three receipt-category issues. Reopening/revision provisions mentioned in the underlying High Court litigation are not promoted into separate Supreme Court merits holdings.

Own-funds and risk observations on SDF income are tied to the admitted government-agency facts; the note does not turn them into a general rule about every source of a financier's funding.

Neutral citation verified from the official signed judgment, PDF p. 1. An SCR citation is not inferred from the repository asset identifier.

Seven assessment years are verified from the appeal/year table in the official Delhi High Court judgment dated 28 November 2011, PDF p. 2. The Supreme Court judgment refers generally to several assessment years and does not enumerate them. The years in ITA Nos. 227/2012, 228/2012 and 615/2012 remain unverified; the list is therefore not represented as exhaustive of all ten Supreme Court appeals. The 1976-1984 years mentioned in SC paragraph 27 belong to the earlier NCDC precedent, not this batch.

STATUTORY SCOPE

Historical Income-tax Act, 1961 provision reproduced and interpreted in the 10 December 2025 judgment, including the Finance Act, 1995 change. This is a case-law note, not a current consolidation of section 36(1)(viii). No exhaustive later-amendment audit or Income-tax Act, 2025 equivalence/savings analysis has been performed; do not use the historical 40% rate as current advice.

LATER TREATMENT

Source checked 2026-10-04. Subsequent 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: 21](#)

SHA-256: d5e8d1c039d53477428e7d60544fae63b6a7e2fae6d35ccfed810539b6143635

[official underlying high court judgment - PDF pages: 17](#)

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