IN THE HIGH COURT OF PUNJAB AND HARYANA AT CHANDIGARH

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202 **ITA-107-2016 (O&M)**
Date of Decision: 24.02.2026

PR. COMMISSIONER OF INCOME TAX ...Appellant

Versus

M/S VARDHAMAN ACRYLIC LIMITED ...Respondents

And

Sr. No.	Case No.	Appellant	Respondent
2.	ITA-109-2016	Pr. Commissioner of Income Tax	M/s Vardhaman Acrylic Limited
3.	ITA-162-2016 (O&M)	Pr. Commissioner of Income Tax	M/s Vardhaman Acrylic Limited
4.	ITA-216-2016	Pr. Commissioner of Income Tax	M/s Vardhaman Acrylic Limited

CORAM:- HON'BLE MR. JUSTICE JAGMOHAN BANSAL
HON'BLE MR. JUSTICE AMARINDER SINGH GREWAL

Present:- Mr. Ranvijay Singh, Sr. Standing Counsel with
Ms. Nikita Garg, Jr. Standing Counsel and
Mr. Vidhul Kapoor, Advocate
for the appellant-Income Tax

Ms. Radhika Suri, Sr. Advocate with
Mr. Abhinav Narang, Advocate and
Ms. Parnika Singla, Advocate
for respondent-assessee

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JAGMOHAN BANSAL, J. (ORAL)

1. As common issues are involved in the captioned appeals, with the consent of both sides, the same are hereby disposed of by this common order. For the sake of brevity and convenience, facts are borrowed from **ITA-107-2016.**

2. The appellant through instant appeal under Section 260A of Income Tax Act, 1961 (for short '1961 Act') is seeking setting aside of order dated 21.10.2015 passed in ITA-283-Chd/2014 for the Assessment Year 2007-08.

3. The respondent (assessee) filed its Income Tax Return for the Assessment Year 2007-08. The Assessing Officer while framing assessment under Section 143(3) held that sale tax subsidy received by assessee is revenue receipt and should be included in taxable income. The assessee filed appeal which was dismissed vide order dated 10.01.2014 passed by CIT (Appeals). The assesse preferred appeal before Tribunal which dismissed the same. The assessee filed appeal before this Court which set aside order passed by Tribunal. The matter was remanded back to Tribunal to pass fresh order in the light of judgment of Hon'ble Supreme Court in ***"Commissioner of Income Tax Madras Vs. Ponni Sugars & Chemicals Ltd.",*** **2008 (9) SCC 337.** The Tribunal vide impugned order has allowed appeal of the assessee.

4. Learned counsel for the respondent-assessee submits that assessee had set up a plant in the State of Gujarat in most backward area. The State of Gujarat had framed Capital Investment Incentive Policy. As per said Policy, an assessee was entitled to collect and retain sale tax for 12 years. The total amount of tax which could be collected and retained was equal to capital investment. The question raised herein has already been answered by Gujarat High Court in "***Commissioner of Income Tax Vs. Birla VXL Ltd.",*** **Law Finder Doc ID #1197849,** "***Commissioner of Income Tax Vs. Nirma Ltd.",*** **Law Finder Doc ID #900488**, and "***Dy. Commissioner of***

Income Tax Vs. Munjal Auto Industries Ltd.”, **(2013) 37 Taxmann.com 115 (Gujarat)**. The Revenue filed appeals before Supreme Court against aforesaid judgments of Gujarat High Court. Appeals of Revenue stand dismissed by Supreme Court.

5. *Per contra,* learned counsel for appellant submits that Gujarat High Court has not considered exemption scheme in true spirit. The assessee withheld recovered sales tax. The amount recovered from buyers in the name of sales tax was utilized for day to day working of the assessee. It could not be treated as capital receipt.

6. Heard the arguments and perused the record.

7. From the perusal of record, it is evident that Gujarat High Court in ***Birla VXL Ltd (supra), Munjal Auto Industries Ltd. (supra)*** and ***Nirma Ltd. (supra)*** has considered the legal issue raised herein. The Gujarat High Court has opined that sales tax collected and retained by assessee is capital receipt. The exemption scheme which was before Gujarat High Court is involved in the present case. The opinion of Gujarat High Court is consistent and appeals filed by Revenue have already been dismissed by Supreme Court. It is apt to notice that Revenue had not filed SLP against judgment of Gujarat High Court whereas civil appeals were filed. There is not even iota of dichotomy between facts and issues involved in the present appeals and appeals which were adjudicated by Gujarat High Court. We find ourselves in agreement with opinion formed by Gujarat High Court. There seems no reason to form any opinion contrary of Gujarat High Court.

8. In the wake of above discussion and findings, we are of the considered opinion that the instant appeals deserve to be dismissed and accordingly dismissed. The question raised in the appeals is answered against the Revenue.

9. Pending application(s), if any, also stands disposed of.

(JAGMOHAN BANSAL)
JUDGE

(AMARINDER SINGH GREWAL)
JUDGE

February 24, 2026
Deepak DPA

Whether Speaking/reasoned: Yes/No
Whether Reportable: Yes/No