

Sec. 80-IB relief not available to assessee manufacturing polyurethane foam in diff. designs for car seats: SC

Facts of the case - Polyflex (India) (P.) Ltd. v. CIT - [2022] (SC)

The assessee was manufacturing 'polyurethane foam,' which was ultimately used as an automobile seat. The assessee filed the return of income claiming deduction under section 80-IB.

The Assessing Officer (AO) disallowed the deduction under Section 80-IB by observing that the nature of the business of the assessee was "manufacturer of polyurethane foam seats" which falls under entry 25 to the Eleventh Schedule. Hence, it was not entitled to claim deduction under Section 80-IB.

The lower authorities upheld the order of AO. The matter reached the Supreme Court.

Decision of the case:

- The Supreme Court of India upheld the findings of the High Court. The High Court had specifically observed and held that what was manufactured and sold by the assessee was polyurethane foam which was manufactured by injecting two chemicals, namely, Polyol and Isocyanate.
- The assessee was manufacturing polyurethane foam and supplying the same in different sizes/designs to the assembly operator, which ultimately is being used for car seats. The assessee didn't undertake any further process for the end product, namely, car seats.
- Merely because the assessee was using the chemicals and ultimately what is manufactured is polyurethane foam and the same is used by assembly operators after the process of moulding as car seats, it cannot be said that the end product manufactured by the assessee is car seats/automobile seats.
- There must be a further process to be undertaken by the assessee in manufacturing the car seats. No further process seems to have been undertaken by the assessee except supplying/selling the polyurethane foam in different sizes/designs/shapes which may be ultimately used for end products by others as car seats/automobile seats
- Therefore, when the articles/goods manufactured by the assessee, namely, polyurethane foam is an article classifiable in the Eleventh Schedule (entry 25), the assessee shall not be entitled to claim deduction under Section 80-IB(2)(iii).