BLOGS

CLAT UG – Legal Reasoning Passage

Shruti chauhan · 28 Jul 2026

The doctrine of *promissory estoppel* prevents a party from going back on a promise even where no formal contractual consideration exists, if the other party has relied on that promise to their detriment. Originally developed in equity to prevent injustice, the doctrine has steadily expanded from private contractual disputes into public law, particularly in dealings between citizens and the State.

In India, courts have held that the government can be bound by its promises such as assurances of tax exemptions or subsidies to induce industrial investment even without a formal contract, provided the citizen has acted upon that promise and altered their position irreversibly. However, the doctrine is not absolute. Courts have carved out an important exception: promissory estoppel cannot be invoked to compel the government to act *contrary to law*, nor can it override considerations of larger public interest. If the government demonstrates that withdrawing the promise was necessary to prevent harm to the public exchequer or to comply with a statutory mandate, the promise will not bind it, regardless of the reliance placed by the citizen.

This creates an inherent tension: the doctrine exists to protect citizens from arbitrary reversals of governmental assurances, yet the public-interest exception gives the government considerable room to escape liability by simply asserting that the public interest required a change in policy. Critics argue that this exception, if applied loosely, could swallow the rule itself, since virtually any policy reversal can be dressed up as serving the “public interest.” Courts have therefore insisted that the government must produce *cogent evidence* of the public interest it claims to be protecting; a bare assertion is insufficient. The burden lies squarely on the State to justify the departure from its promise.

Some scholars further distinguish between promises of fact and promises of policy intention, arguing that the doctrine should apply with greater force to the former. A related but distinct concept, *legitimate expectation*, also restrains arbitrary government action, but it primarily concerns procedural fairness, the expectation of being heard or given notice rather than a substantive entitlement to a specific benefit.

Questions:

Q1. A state government, to attract investment, issued a notification in 2018 promising 100% sales tax exemption for ten years to new industries set up in a backward district. Relying on this, Company X invested ₹50 crore and began construction. In 2020, the government withdrew the exemption, citing "revenue concerns" without further explanation. Based on the passage, which is the strongest argument for Company X?

1. A) The government can never withdraw a promise once made, regardless of circumstances
2. B) The withdrawal is invalid because the government did not provide cogent evidence justifying the public interest claimed
3. C) The withdrawal is valid because tax exemptions are always policy decisions and never binding promises
4. D) Company X has no remedy since promissory estoppel does not apply to the government

Q2. Which of the following, if true, would most strengthen the government's defense in the above scenario?

1. A) The government held a press conference reaffirming its commitment to industrial growth
2. B) An independent audit showed the exemption was causing unsustainable annual revenue losses threatening essential public services
3. C) Several other companies also invested in the district after 2018
4. D) The notification was issued by a minister who has since left office

Q3. According to the passage, what is the key distinction between promissory estoppel and legitimate expectation?

1. A) Promissory estoppel applies only to private parties, while legitimate expectation applies only to the State
2. B) Legitimate expectation primarily protects procedural fairness, while promissory estoppel can create substantive entitlements based on reliance
3. C) They are identical doctrines with different names
4. D) Legitimate expectation is broader and subsumes promissory estoppel entirely

Q4. The passage suggests that critics worry about the public-interest exception because:

1. A) It is rarely invoked by governments in practice
2. B) It could be used to justify almost any policy reversal, undermining the doctrine's protective purpose
3. C) Courts never scrutinize government claims of public interest
4. D) It only applies to tax-related promises

Q5. Which principle best reflects the passage's description of how courts allocate the burden of proof in promissory estoppel cases against the government?

1. A) The citizen must prove the government acted maliciously
2. B) The government must affirmatively justify its departure from the promise with concrete evidence
3. C) The burden shifts to whichever party raises the claim first
4. D) No burden of proof applies since these are policy matters beyond judicial review

Q	Answer	Explanation
1	B	The passage states a bare assertion of public interest is insufficient – cogent evidence is required. "Revenue concerns" alone, unexplained, fails this test.
2	B	This directly supplies the "cogent evidence" of harm to the public exchequer that the passage says is needed to justify withdrawal.
3	B	The passage explicitly distinguishes legitimate expectation (procedural fairness, being heard) from promissory estoppel (can found a substantive claim through reliance).
4	B	The passage states critics fear the exception "could swallow the rule," since any reversal can be dressed up as public interest.
5	B	The passage says "the burden lies squarely on the State" to justify departure – it must produce cogent evidence.