Some Remaining Case Laws

Bank of Rajasthan Ltd. vs CIT [2024] (SC)

Whether the interest paid by banks for "broken period" on purchase of securities held as stock in trade can be claimed as revenue expenditure ?

"Broken Period" When Bank purchase a security on date which falls between the dates on which the interest is payable on the security, Bank, in addition to the price of security, has to pay additional amount of interest accrued for the period from last interest payment till the date of purchase.

SC noted that the banks are required to purchase Govt. securities to maintain Statutory Liquidity Ratio. As per RBI's guidelines, there are three categories of securities: HTM (Held to Maturity), AFS (Available for Sale) and HFT (Held for Trading). As far as AFS and HFT are concerned, banks held such securities as stock-in-trade. Therefore, in these two categories of securities, the benefit of deduction of interest for the broken period will be available. The securities of the HTM category are usually held for a long term till their maturity. If it is found that HTM security is held as an investment, the benefit of broken period interest will not be available.

Accordingly, the SC held that as securities were treated as stock-in trade, the interest on the broken period cannot be considered as capital expenditure and will have to be treated as revenue expenditure, and thus allowed as deduction.

Johnson Matthey Public Limited Company (2024) (Delhi)

Whether the amount received as "Guarantee Fees" by a foreign company from its Indian subsidiaries fall within the definition of "interest"?

As per section 2(28A), "interest" means interest payable in any manner in respect of any moneys borrowed or debt incurred (including a deposit, claim or other similar right or obligation) and includes any service fee or other charge in respect of the moneys borrowed or debt incurred or in respect of any credit facility which has not been utilized.

Article 12(5) of India-UK DTAA defines "interest" to mean income from debt claims of every kind, whether or not secured by mortgage and whether or not carrying a right to participate in the debtor's profits, and in particular, income from Government securities and income from bonds or debentures, including premiums and prizes attaching to such securities, bonds or debentures.

As per High Court the word "interest" as defined in Article 12(5) of Treaty and section 2(28A) of the Act, shall be understood contextually. Article 12(5) and section 2(28A) of the Act extend the scope of such payments. However, payment or repayment pursuant to any loan to be qualified as "interest", necessarily have to be within the context of loan and shall relate to the parties to the privity of contract. In this context only, the expressions "claims of any kind", "service fee or other charge" have to be understood. The word "interest" does not take into its fold any payments made to stranger to the privity of loan transactions, though such payments have to be made incidentally in relation to such loan.

Undoubtedly, assessee is a stranger to the privity of loan transactions in as much as the contract of loan is a different from the contract of guarantee, as such in our considered opinion, the expression of "debt claims of any kind" or "the service fee or other charge in respect of moneys borrowed or debt incurred" does not stand extended to the payment of guarantee commission received by the assessee in India.

The expression "interest" is defined to mean amounts payable in respect of any monies borrowed or debts incurred. Undisputedly the appellant had not borrowed any monies. The debt, if any, which could be said to have been incurred was clearly not one owed to the Indian subsidiaries. The income that it received from its Indian subsidiaries was solely in consideration of any liability that could possibly befall in case its Indian subsidiaries were to default in their repayment obligations.

Accordingly, the High Court held that the guarantee fee would neither fall within the ambit of Article 12 of India-UK DTAA nor section 2(28A) of the Act.

Adadyn Technologies (P.) Ltd. [2024](SC)

The assessee is engaged in the business of rendering customized internet advertising services to advertisers which could be used on the Desktop. In order to develop its software, assessee had incurred certain expenditure. Due to rapid change in the technology, the application sought to be developed by the assessee had become obsolete and the assessee abandoned further development.

High Court held that since the product having been abandoned, the assessee shall not get any enduring benefit. In substance, assessee has incurred expenditure in these two years to develop a software but due to change in technology, it had to abandon the product. In effect, it had lost money spent on this product. Accordingly, High Court held that the assessee shall not get any enduring benefit and therefore, the expenditure was to be treated as revenue in nature.

Jupiter Capital Pvt. Ltd. [2025] (SC)

The company held 15,33,40,900 shares, representing 99.88% of total shares of an Indian company. That company incurred losses, as a result of which the net worth of the company got eroded. On petition filed by the Company, the High Court ordered a reduction in the share capital of the company from 15,35,05,750 shares to 10,000 shares. Consequently, the shareholding of the assessee was reduced proportionately from 15,33,40,900 shares to 9,988 shares. However, the face value of the shares remained the same at ` 10 even after the reduction in the share capital. The High Court also directed the company to pay ₹ 3,17,83,474 to the assessee as consideration. Is it treated as transfer and capital gain apply ?

The SC observed that the expression "extinguishment of any right therein" is of wide import. It covers every possible transaction which results in the destruction, annihilation, extinction, termination, cessation or cancellation, by satisfaction or otherwise, of all or any of the bundle of rights qualitative or quantitative, which the assessee has in a capital asset, whether such asset is corporeal or incorporeal.

Accordingly, the Apex Court held that Reduction in share capital results in "transfer" under the provisions of the Income-tax Act, 1961 as there is extinguishment of rights qua such shares. The capital loss arising on proportionate reduction in share capital of the company is admissible even if the overall shareholding of the taxpayer in the company remains unchanged post reduction.

Travel Designer India Pvt. Ltd. (2025)(SC)

Assessee filed its ROI u/s 139(1) on 29th Nov., 2023. ROI was found to be defective, and accordingly, the assessee received an intimation on 10th July, 2024 to correct the defects within a period 15 days from the receipt of the said notice. The defects were rectified on 19th July, 2024. Subsequently, AO issued a notice u/s 143(2) on 11th June, 2025. The assessee contended that the notice u/s 143(2) can be issued within three months from the end of the financial year in which return is furnished. Thus, the said notice was barred by limitation as per the provisions of the Act.

Since the return was defective, the assessee was called upon to remove such defects, which was removed on 19th July, 2024, which is within the time allowed by AO. Therefore, upon such defects being removed, the return would relate back to the date of filing original return i.e., 29th November, 2023. Consequently, the limitation for issuance of notice u/s 143(2) would be 30th June, 2024 i.e., three months from the end of the financial year in which the return u/s 139(1) was filed. In the present case, notice u/s 143(2) has been issued on 11th June, 2025, which is much beyond the period of limitation. Therefore, such notice is barred by limitation and cannot be sustained.

Some New CBDT Circulars and Notifications

Circular No. 15/2024: Limit of Income Tax Authority to Reduce or Waive of Interest u/s 220(2)

If any assessee not pay demand notice within the period of 30 days then interest @1% per month or part of the month is applicable for delay. This interest can be waive or reduce by following authorities:

CIT/PCIT	Upto ₹ 50 lakhs
CCIT/DGIT	> ₹ 50 lakhs upto ₹ 1.5 crore
PCCIT	> ₹ 1.5 crore

Notification 09/2025: Conditions for NR, engaged in the business of operation of cruise ships u/s 44BBC

(i) Operate a passenger ship having a carrying capacity of more than 200 passengers or length of 75 meters or more, for leisure and recreational purposes and having appropriate dining and cabin facilities for passengers;
(ii) Operate such ship on scheduled voyage or shore excursion touching at least two sea ports of India or same sea ports of India twice;
(iii) Operate such ship primarily for carrying passengers and not for carrying cargo; and
(iv) Operate such ship as per the procedure and guidelines if any, issued by the Ministry of Tourism or Ministry of Shipping.

Notification No. 14/2025: Statement by NR having liaison office in India has to be submitted to Assessing Officer within 8 months from the end of such financial year.

Notification No. 124/2024: Safe Harbour Rules (SHR) for determination of arm's length price in respect of income referred u/s 9(1)(i) [Income deemed to accrued due to business connection etc.]

Assessee	Foreign company engaged in diamond mining which has exercised an option for SHR in accordance with rule 10TIA.
Eligible business	A business of selling raw diamonds in any notified special zone as referred to in clause (e) of Explanation 1 to section 9(1)(i).
Safe Harbour Profits	"Profits and gains of business or profession" shall be 4% or more of the gross receipts from such business.
Gross receipts	Aggregate of – _ (i) the amount paid or payable to the eligible assessee or to any person on his behalf on account of sale of raw diamonds by such eligible assessee and (ii) the amount received or deemed to be received by the eligible assessee or by any person on his behalf on account of sale of raw diamonds by such eligible assessee.
Raw diamonds	Diamonds that are, - (i) uncut or unpolished; (ii) unassorted; (iii) unworked or simply sawn, cleaved or bruted; (iv) not conflict diamonds as defined by the Kimberley Process; (v) accompanied by Kimberley Process Certificate issued by the Kimberley Process authority in the exporting country; and (vi) falling under Tariff Heading 7102 of the First Schedule to the Customs Tariff Act, 1975.
Condition's	Where the eligible assessee has exercised the option for SHR in any PY and such option is not declared invalid: - any deduction u/s 30 to 38 shall be deemed to have been already given full effect to and no further deduction shall be allowed;

	- WDV of any asset shall be deemed to have been calculated as if the eligible assessee had claimed and had been actually allowed the deduction in respect of the depreciation; - No set off of unabsorbed depreciation or carried forward loss u/s 72(1) shall be allowed to such assessee; and - No set off of loss from other business u/s 70(1) or other head u/s 71(1)/(2) shall be allowed to such assessee for income chargeable to tax under the head "PGBP" in respect of such business.
TP Provisions	Provisions u/s 92D relating to maintenance, keeping and furnishing of information and document and section 92E for submission of report from CA in respect of an international transaction shall apply, if the eligible assessee enters into such transaction while carrying on the eligible business.
Procedure	Assessee has to furnish Form 3CEFC, complete in all respects, to AO before furnishing the ROI u/s 139 for the relevant previous year, for exercising the option of safe harbour. If the assessee does not exercise option for safe harbour, the income from eligible business shall be determined in accordance with other provisions of the Act. Circumstances when option exercised can be declared Invalid AO may declare the option as invalid by an order in writing, where the assessee has - (a) availed the safe harbour by furnishing incorrect facts; or (b) concealed facts related to his business. AO has to afford a reasonable opportunity of being heard to the assessee before declaring the option for safe harbour invalid.
MAP	Assessee is not entitled to invoke mutual agreement procedure u/s 90 or 90A in relation to an eligible business, if the assessee has exercised the option for SHR in respect of such business and such option is not declared invalid.

Notification No. 10/2025: A Finance Company located in any IFSC has been excluded from the applicability of the provisions of this section 94B [Thin Capitalisation]

Finance Company means a financial institution separately incorporated to deal in one or more of the permissible activities, provided

(i) It does not accept public deposit from resident and non-resident, as defined in these regulations; and
(ii) It is not registered with the Authority as a Banking Unit;

Finance Company located in any IFSC shall only carry out one or more of the following activities – _

(i) lending in the form of loans, commitments and guarantees, credit enhancement, securitisation, financial lease;
(ii) factoring and forfaiting of receivables; or
(iii) functions of Global or Regional Corporate Treasury Centre such as borrowings, lending, hedging of currency or commodity risk or investments, cash management, structured credit, intra group financing, financial budgeting and similar other such treasury services and activities.

The interest being paid by such Finance Company, being the borrower, in respect of any debt issued by a non-resident, shall be in foreign currency.

Common Note for Business Trust, Investment Fund & Securitisation Trust

The Business Trust, Investment Fund & Securitisation Trust shall provide breakup regarding nature and proportion of its income and other details to unit holder/ investor upto 30th June of the F.Y. following the P.Y. and Income Tax Authority (CIT/PCIT) upto 15th June of the FY following the P.Y.

Notification No. 123/2024: The provisions of section 194N shall not apply to Foreign Representations duly approved by the Ministry of External Affairs including Diplomatic Missions, agencies of the United Nations, International Organisations, Consulates and Offices of Honorary Consuls which are exempt from paying taxes in India as per the Diplomatic Relations (Vienna Convention) Act 1972 and the United Nations (Privileges and Immunities) Act 1947.

New Guidelines for Compounding of Offences: Circular No. 4/2025 w.e.f. 17/10/2024

Meaning	Mechanism whereby the defaulter is reprieved of major legal consequences by affording him an opportunity to pay certain sum of money to escape prosecution. The specified offences can be compounded by the competent authority either before or after the initiation of proceedings. All offence under the Income-tax Act, 1961 is compoundable.
Old Application	Revised guidelines are applicable on the applications, pending before issuance of these guidelines. The applicants whose applications were pending on 17.10.2024 are not required to file a fresh application or pay any fresh application fees.
Old application was rejected? can apply as per new guidelines?	Yes, in case the rejection was solely on account of conviction, without examination of merits, as per any of the earlier guidelines, such applicant can reapply in terms of revised guidelines.
Compounding Application	An application for compounding is made to Jurisdictional PCCIT/CCIT/PDGIT/ DGIT any time after the offence(s) is committed, irrespective of whether it comes to the notice of the Department or not. The compounding application may be filed for offence(s) pertaining to one financial year (in case of taxpayers) or quarter (in case of tax deductors) or for multiple years/quarters. The compounding application filed for multiple years/ quarters are referred as "Consolidated Compounding Application".
Application Fees	Non-refundable Compounding Application Fee of ₹ 25,000 for a single Compounding application (per application) and ₹ 50,000 for a consolidated Compounding application (per such application). The said fee is a non-refundable fee, but adjustable against applicable total compounding charges decided by the Competent Authority, if any
Payment of all taxes, interest & other sums	All outstanding tax, interest (including interest u/s 220), penalty and any other sum due, relating to the offence(s) for which application made. However, if on verification by the Dept, any related demand is found payable, the same, on being intimated to applicant, has to be paid within 30 days of the intimation or such period (Max 3 months) allowed by the dept. Application shall be considered valid only consequent to the payment of all the demand.
Withdrawal of appeals	The person/applicant has to undertake to withdraw appeals filed by him, if any, related to the offence(s) sought to be compounded.
Revival of a defective application	Applications can be revived without additional payment of Compounding Application Fee, provided the defects are cured within a period of one month from the date of intimation of the defect(s).
Offences compoundable	Applicant has been convicted with imprisonment of two years or more for any offence under Income-tax Act, 1961 or for an offence under any other law, which is related to offence under the Income-tax Act, 1961 or for offence under Black Money Act or Benami Property Transactions Act, may apply for compounding.

Compounding Procedure	1. On receiving the application, the Competent Authority must seek a report from the Assessing Officer or AD/DD. 2. Application Order (If Not Acceptable): Rejection order (with reasons) to be passed preferably within 2 months from the end of the month of receipt of the application. 3. Application Order (If Acceptable): If found acceptable, intimation of approval + compounding charges & liabilities to be sent within 2 months from the end of the month of receipt. 4. Charges must be paid within 1 month from the end of the month of intimation. 5. Extension for Payment • Up to 6 months – by Competent Authority (in exceptional cases). • 6–12 months – needs Principal CCIT's written approval. • 12–24 months – needs approval from CBDT Chairman/authorized Member. • Beyond 24 months – Not allowed. 6. If charges are not paid within time (or extended time), the application stands rejected, and prosecution is initiated. 7. Final Compounding Order: Must be issued within 1 month from the end of the month of payment of charges. Note: All time limits are administrative, not statutory limitations.
Compounding Charges	'Tax' = Tax + Surcharge + Cess (Interest not included) Repeat Applications (Same Offence Type) • 2nd time: 1.2× • 3rd time: 1.4× • 4th time: 1.6×, and so on. New Offence Type: Charged as per normal rates, even if applied later. Old Applications: All applications filed under earlier guidelines count as the 1st application. Late Application: If filed after 12 months of prosecution complaint filing → 50% extra charges.

Date of Application	Offence	Status	Rate
15-Jan-2021	276B (FY 12-13)	Compounded	NA
17-Oct-2022	276C(1) (FY 18-19)	Compounded	NA
18-Aug-2023	276B (FY 13-14)	Rejected	NA
17-Sep-2024	276D (FY 19-20)	Pending (1st under new)	Normal rate
01-Nov-2024	276B (FY 13-14)	Reapplied	1.2×
18-Dec-2024	276B (FY 17-18)	Third Time	1.4×
18-Dec-2024	275A (FY 23-24)	First Time	Normal rate

Compounding – Co-accused & Abettor (Companies & HUFs)	Main accused (Company or HUF) - Co-accused (e.g., Directors/Karta/Officers - Can apply separately or together Compounding Charges - Single compounding charge per offence - No separate fee for co-accused - Once paid (by any one party), offences of both main accused & co-accused are compounded.

Notification No. 28/2024: No TDS on Payments to IFSC Units – Sec 197A(1F) & 80LA

As per section 197A(1F) read with section 80LA(1A)/(2) of the Income-tax Act, no TDS is required on specified payments made to Units located in an IFSC, provided the unit has opted for deduction u/s 80LA and furnishes a declaration to that effect. The exemption applies to payments like interest on ECB/loans, dividends, professional fees, commission, brokerage, and insurance commissions, depending on the nature of the IFSC entity (e.g., banking units, finance companies, insurers, fund managers, brokers, custodians, fintechs, etc.). This benefit is available only during the 10 consecutive assessment years chosen u/s 80LA. The payer must stop deducting TDS after receiving the declaration and report such payments in the TDS return.

As per CBDT Circular No. 26/2016, interest paid by IFSC Banking Units (IBUs) to non-residents or persons not ordinarily resident in India—on deposits or borrowings made on or after 1.4.2005—is exempt from TDS u/s 197A(1D). Further, such interest is also exempt from income tax in the hands of the recipient u/s 10(15)(viii). Since IBUs, established under the RBI scheme within SEZs, qualify as Offshore Banking Units as per section 2(u) of the SEZ Act, they are entitled to these benefits.

U/s 197A(1F), Central Government has notified that no TDS shall be deducted on payments made to the Credit Guarantee Fund Trust for Micro and Small Enterprises, National Credit Guarantee Trustee Company Ltd., and credit guarantee funds managed by it (covered u/s 10(46B)). Additionally, vide Notification No. 3/2025, no TDS u/s 194Q is required on purchase of goods from an IFSC Unit, and as per Notification No. 6/2025, an IFSC Unit shall not be treated as a buyer for TCS purposes u/s 206C(1H), subject to the condition that such IFSC Unit furnishes a verified statement-cum-declaration each year, opting for deduction u/s 80LA for 10 consecutive assessment years. Payers (under 194Q) or sellers (under 206C(1H)) must stop TDS/TCS post receipt of this declaration and report exempted transactions in their TDS/TCS statements. This relaxation is available only for the declared 10-year period; otherwise, regular TDS/TCS provisions apply.