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TCA No.33 of 2026

IN THE HIGH COURT OF JUDICATURE AT MADRAS

DATED: 29.04.2026

CORAM

THE HONOURABLE MR. SUSHRUT ARVIND DHARMADHIKARI,
CHIEF JUSTICE

AND

THE HONOURABLE MR.JUSTICE G.ARUL MURUGAN

T.C.A.No.33 of 2026

The Principal Commissioner of
Income Tax-1
Chennai – 600 034.

Appellant(s)

Vs

Cholamandalam Investment and
Finance Company Ltd
Chola Crest,
C54 and C55, Super B-4,
Thiru-Vi-Ka Industrial Estate,
Guindy Industrial Estate,
Chennai – 600 032.

Respondent(s)

For Appellant(s): Mr.T.Ravi Kumar



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ORDER

(Order of the Court was made by the Hon'ble Chief Justice)

This appeal is admitted on the following substantial questions of law:

(1) Whether on the facts and in the circumstances of the case, the Tribunal was justified in holding that in respect of prepaid finance charges the payments having been made, the said expenses are allowable even though said expenses do not pertain to the instant previous year?

(2) Is not the reasoning and finding of the Tribunal bad and perverse by holding that the prepaid finance charges are allowable even though the said expenditure resulted in a continuing benefit over a number of years which is contrary to the matching principle and therefore cannot be allowed fully in the year of payment under Section 37(1) of the Income Tax Act, 1961?

(3) Whether the Tribunal ought to have applied the decision of the Apex Court in the case of *Madras Industrial Investment Corporation Limited v. Commissioner of Income-tax*¹, wherein it was held that the expenditure is not

¹[1997] 91 Taxman 340 (SC)



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necessarily confined to the money which has been actually paid out and covers a liability which has accrued or which has been incurred, although it may have to be discharged at a future date?

(4) Whether the Tribunal is justified in restricting the disallowance made under Section 14A to the extent of exempt income which is contrary to the wording in the Section and also ignoring the amendment made by Finance Act, 2022 which had been inserted by way of Explanation to Section 14A by clarifying the intention of the legislature and therefore operated retrospectively wherein the disallowance of expenditure is to be made even if there is no exempt income earned?

2. Issue notice to the respondent.

3. List this appeal along with T.C.A.No.148 of 2024.

(SUSHRUT ARVIND DHARMADHIKARI,CJ) (G.ARUL MURUGAN,J)
29.04.2026

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