



IN THE HIGH COURT OF KARNATAKA AT DHARWAD

DATED THIS THE 27TH DAY OF MARCH 2026

PRESENT

THE HON'BLE MR. JUSTICE B.M.SHYAM PRASAD

AND

THE HON'BLE MR. JUSTICE SHIVASHANKAR AMARANNAVAR

INCOME TAX APPEAL NO.100017 OF 2024

C/W

INCOME TAX APPEAL NO.100018 OF 2024

INCOME TAX APPEAL NO.100019 OF 2024

INCOME TAX APPEAL NO.100021 OF 2024

IN ITA NO.100017 OF 2024:

BETWEEN:

1. THE PR. COMMISSIONER OF INCOME-TAX
C.R BUILDING, NAVANAGAR,
HUBBALLI-580 025.
2. THE INCOME TAX OFFICER,
WARD-2, PRESENT ADDRESS,
THE INCOME TAX OFFICER, WARD -1,
'AAYAKAR BHAVAN', STAFF ROAD,
FORT, BELLARY-583102.

...APPELLANTS

(BY SRI. M.THIRUMALESH AND
SMT. ROOPA ANAVEKAR, ADVOCATES)

AND:

M/S. BELLARY IRON ORES PVT. LTD.,
MINE OWNERS, MODI BHAVAN,
NO. 60/356A, HOSPET ROAD,
ALLIPURA, BELLARY-583 104,
PAN: AAACB7278E.

...RESPONDENT

(BY SRI. M.V.SHESHACHALA, SENIOR ADVOCATE)

Digitally signed
by VISHAL
NINGAPPA
PATTIL
Location: High
Court of
Karnataka,
Dharwad
Bench



**NC: 2026:KHC-D:4868-DB
ITA No. 100017 of 2024
AND CONNECTED MATTERS**

THIS INCOME TAX APPEAL IS FILED UNDER SECTION 260A OF INCOME TAX ACT,1961, PRAYING TO FORMULATE THE SUBSTANTIAL QUESTION OF LAW STATED ABOVE; ALLOW THE APPEAL AND SET ASIDE THE ORDER PASSED BY THE INCOME-TAX APPELLATE TRIBUNAL, BENGALURU IN ITA NO.1540/BANG/2018 DATED 20.09.2023 FOR ASSESSMENT YEAR 2014-15 (ANNEXURE-A) AND CONFIRM THE ORDER OF THE APPELLATE COMMISSIONER CONFIRMING THE ORDER PASSED BY THE INCOME TAX OFFICER, WARD-2, HOSPETE AND ETC.

IN ITA NO.100018 OF 2024:

BETWEEN:

1. THE PR. COMMISSIONER OF INCOME-TAX
C R BUILDING, NAVANAGAR,
HUBBALLI-580 025.
2. THE INCOME TAX OFFICER, WARD-1
AAYAKAR BHAVAN, STAFF ROAD,
FORT, BELLARY-583 102.

...APPELLANTS

(BY SRI. M.THIRUMALESH, ADVOCATE)

AND:

M/S. BELLARY IRON ORES PVT. LTD.,
MINE OWNERS, MODI BHAVAN,
NO. 60/356A, HOSPET ROAD,
ALLIPURA BELLARY-583 105,
PAN: AAACB7278E.

...RESPONDENT

(BY SRI. M.V.SHESHACHALA SENIOR ADVOCATE FOR
SRI. PRAVEEN TARIKAR, ADVOCATE)

THIS INCOME TAX APPEAL IS FILED UNDER SECTION 260A OF INCOME TAX ACT, 1961, PRAYING TO FORMULATE THE SUBSTANTIAL QUESTION OF LAW STATED ABOVE; ALLOW THE APPEAL AND SET ASIDE THE ORDER PASSED BY THE INCOME-TAX APPELLATE TRIBUNAL, 'B' BENCH BENGALURU IN ITA



**NC: 2026:KHC-D:4868-DB
ITA No. 100017 of 2024
AND CONNECTED MATTERS**

NO.662/BANG/2023 DATED 25.10.2023 FOR
ASSESSMENT YEAR 2018-19 (ANNEXURE A) AND THE
ORDER OF THE APPELLATE COMMISSIONER
(ANNEXURE-C) ON THIS ISSUE AND CONFIRM THE
ORDER PASSED BY THE INCOME TAX OFFICER, WARD-
1, BELLARY; AND ETC.

IN ITA NO. 100019/2024:

BETWEEN:

1. THE PR. COMMISSIONER OF INCOME-TAX
C R BUILDING, NAVANAGAR,
HUBBALLI-580 025.
2. THE INCOME TAX OFFICER
WARD -1, AAYAKAR BHAVAN, STAFF ROAD,
FORT, BELLARY-583102.

...APPELLANTS

(BY SRI. M.THIRUMALESH, ADVOCATE)

AND:

M/S. BELLARY IRON ORES PVT. LTD.,
MINE OWNERS, MODI BHAVAN,
NO. 60/356A, HOSPET ROAD,
ALLIPURA BELLARY-583 105,
PAN: AAACB7278E.

...RESPONDENT

(BY SRI. M.V.SHESHACHALA, SENIOR ADVOCATE FOR
SRI. PRAVEEN TARIKAR, ADVOCATE)

THIS INCOME TAX APPEAL IS FILED UNDER
SECTION 260A OF INCOME TAX ACT, 1961, PRAYING TO
FORMULATE THE SUBSTANTIAL QUESTION OF LAW
STATED ABOVE; ALLOW THE APPEAL AND SET ASIDE
THE ORDER PASSED BY THE INCOME-TAX APPELLATE
TRIBUNAL, 'B' BENCH BENGALURU IN ITA NO.662/
BANG/2023 DATED 25.10.2023 FOR ASSESSMENT
YEAR 2018-19 (ANNEXURE A) AND THE ORDER OF THE
APPELLATE COMMISSIONER (ANNEXURE-C) ON THIS
ISSUE AND CONFIRM THE ORDER PASSED BY THE
INCOME TAX OFFICER, WARD-1, BELLARY; AND ETC.



**NC: 2026:KHC-D:4868-DB
ITA No. 100017 of 2024
AND CONNECTED MATTERS**

IN ITA NO.100021/2024:

BETWEEN:

1. THE PR. COMMISSIONER OF INCOME-TAX
C R BUILDING, NAVANAGAR,
HUBBALLI-580 025.
2. THE ASST. COMMISSIONER INCOME-TAX
CIRCLE -1, PRESENT ADDRESS
THE INCOME TAX OFFICER, WARD-1,
AAYAKAR BHAVAN, STAFF ROAD,
FORT, BELLARY-583 102.

...APPELLANTS

(BY SRI. M.THIRUMALESH, ADVOCATE)

AND:

M/S. BELLARY IRON ORES PVT. LTD.,
MINE OWNERS, MODI BHAVAN,
NO. 60/356A, HOSPET ROAD,
ALLIPURA, BELLARY-583 105,
PAN: AAACB7278E.

...RESPONDENT

(BY SRI. M.V.SHESHACHALA, SENIOR ADVOCATE FOR
SRI. PRAVEEN TARIKAR, ADVOCATE)

THIS INCOME TAX APPEAL IS FILED UNDER SECTION 260A OF INCOME TAX ACT, 1961, PRAYING TO FORMULATE THE SUBSTANTIAL QUESTION OF LAW STATED ABOVE; ALLOW THE APPEAL AND SET ASIDE THE ORDER PASSED BY THE INCOME-TAX APPELLATE TRIBUNAL, BENGALURU IN ITA NO.15/BANG/2019 DATED 20.09.2023 FOR ASSESSMENT YEAR 2015-16 (ANNEXURE A) AND CONFIRM THE ORDER OF THE APPELLATE COMMISSIONER CONFIRMING THE ORDER PASSED BY THE ASST. COMMISSIONER OF INCOME TAX, CIRCLR-1, BELLARY; AND ETC.



THESE APPEALS COMING ON FOR ADMISSION
THIS DAY, JUDGMENT WAS DELIVERED THEREIN AS
UNDER:

CORAM: HON'BLE MR. JUSTICE B.M.SHYAM PRASAD
AND
HON'BLE MR. JUSTICE SHIVASHANKAR AMARANNAVAR

ORAL JUDGMENT

(PER: HON'BLE MR. JUSTICE B.M.SHYAM PRASAD)

The Revenue is in appeal calling in question the Income-Tax Appellate Tribunal's similar but separate orders. The Tribunal has interfered with the orders in the corresponding appeals by the Commissioner of Income-Tax. The details of the corresponding appeals with the Commissioner of Income-Tax, the Tribunal and this Court are as follows. These details are for the assessment years as indicated in this table:

Assessment Year	The date of the Assessment Order	The Details of appeals with the Commissioner of IT [Appeals]	The Details of the Appeals with Tribunals
2014-15	21.12.2016	ITA No.586388661/CIT(A)/ GLB/2016-17	ITA No.1540/Bang/2 018
2015-16	26.12.2017	ITA No.363190141/CIT(A)/ GLB/2017-18	ITA No.15/Bang/201 9



2017-18	30.07.2019	ITBA/NFAC/S/250/20 23-24/1054383986(1)	ITA No. 661 & 662/Bang/2023
2018-19	05.03.2021	ITBA/NFAC/S/250/20 23-24/1054383957(1)	ITA No. 661 & 662/Bang/2023

2. The Assessee has certain investments [*Fixed Deposits*] with the State Bank of India and ING Vysya Bank Ltd [*the Banks*]. These deposits are investigated by CBI, and a charge sheet is filed with the concerned CBI Court. The CBI Court, by its order dated 11.11.2009, has directed the Banks not to effect TDS or give credit of accruing interests to the Assessee's account. The Assessee, notwithstanding this order and the consequential stop in both TDS and credit towards accrued interest, has filed its Returns offering accruing interest as its income until the assessment year 2013-14. The Assessee has adopted the Mercantile System of Accounting during these assessment years.

3. However, with the assessment year 2014-15, the Assessee has shifted its accounting method



based on receipts and has stopped offering the interest on the deposits as part of its income. This is the reason for initiation of proceedings under Section 148 of the Income Tax Act, 1961 [*for short, 'the Act'*]. The assessment is concluded with additions with the accrued interest being treated as appellant's income. The Assessee has carried the respective assessment orders in challenge with the Income-Tax Commissioner Appeals, which has reasoned as follows:

“Further, there is no acceptable reason as to why after offering interest income to tax in earlier year, the assessee should suddenly stop this year. The amount deposited is certainly the positive income of the assessee. Hence the income accrued is the income of the assessee in the year it is accrued. Further the assessee is following the mercantile system of accounting. Thus the assessee has to offer the accrued interest as income in the year it is accrued. In view of the above and considering the provisions of section and following the



decisions of the Hon'ble supreme court in the case of M/s Morvi Industries Ltd the appeal of the assessee is dismissed."

4. The Assessee has filed its corresponding appeals with the Tribunal being aggrieved by this opinion and the resultant consequence. The Tribunal's opinion is in favour of the Assessee, and such opinion is in the light of the Circular dated 28.12.2015 issued by the Central Board of Direct Taxes [*for short, the 'CBDT'*]. This Circular admittedly clarifies that the interest can be recognised as income only when there is certainty and a definite possibility of receiving the same. The Tribunal has opined that with the CBI Court's order and the pending proceedings, the Assessee cannot be called upon to pay taxes for the income which is rendered indefinite and uncertain. The Tribunal has also referred to the writ Court's orders on 21.09.2021 in the Assessee's writ petition in WP No.112471/2019.



5. This Court, on 07.01.2026, has framed the following questions as substantial questions of law in ITA No.100017/2024 [one of the present appeals:

1. *Whether in the facts and in the circumstances of the case and in law, the Income Tax Appellate Tribunal was correct in deleting the addition of unaccounted accrued interest on Fixed Deposits for the AY 2014-15 when the assessee had accounted for the interest income accrued on FDs held in banks under prohibitory orders up till AY 2013-14, however from AY 2014-15 onwards assessee changed its method of accounting for the said interest income to receipt basis without any acceptable reason.*
2. *Whether in the facts and in the circumstances of the case and in law, the Income Tax Appellate Tribunal was correct in deleting the addition of unaccounted accrued interest on Fixed Deposits for the AY 2014-15 though*



the Hon'ble High of Karnataka in its order in WP No.112471/2019 (T-IT) dated 21.09.2021 specifically mentioned that the said order passed will not effect any TDS already deducted by the respondent Banks prior to the interim order dated 09.09.2019.

Sri M. Tirumalesh, the learned counsel for the Revenue, submits that the aforementioned questions are common to all appeals and that the substantial questions must be admitted for disposal of these appeals on merits. Upon hearing Sri M. V. Sheshachala, the learned Senior counsel for the Assessee, the afore questions are admitted in all these appeals.

6. Sri M. Tirumalesh submits that the Assessee, which has offered to tax interest even after the CBI Court's order dated 11.09.2009 until the assessment year 2013-14, cannot deny its liability changing its accounting pattern from Mercantile



System to Receipt System and that the Assessee must be held to its initial accounting system. Sri M. V. Sheshachala submits that the Assessee was constrained to approach the writ Court with the writ petition in WP No.112471 of 2019 when it received communication from its Bankers about the CBI Court's order, that the writ Court, by its interim order dated 21.09.2021, has directed the Banks not to deduct TDS till the conclusion of proceedings commenced at the instance of CBI and that ultimately, the writ Court has allowed the writ petition directing the Banks not to deduct TDS on interest that should accrue on the fixed deposits.

7. Sri M. V. Sheshachala also submits that the writ Court has declared that the Assessee's liability to offer such income and pay tax shall arise only after the conclusion of the pending proceedings commenced at the instance of CBI. The learned Senior Counsel further submits that the writ Court's



order is in the light of the decision of the Division Bench of the Delhi High Court in ***UCO Bank Vs. Union of India and Others*** reported in ***(2014) 369 ITR 335 (Delhi)*** and the CBDT Circular dated 28.12.2015 which reiterates the conclusions by the Division Bench of the Delhi High Court. Crucially, the learned Senior Counsel submits, without dispute from Sri M. Tirumalesh, that the CBDT Circular dated 28.12.2015 continues to be in force and that the Revenue has not called in question the writ Court's order dated 21.09.2021 in WP No.112471 of 2019.

8. The propositions that are underlined by the CBDT circular dated 28.12.2015, after the Delhi High Court Division Bench judgment, is that the Assessee would only be entitled to interest as it accrues in future and not in present as it would be subject to the outcome in the pending proceedings and that the uncertain accruing interest cannot be



treated as income for the purposes of Section 194A of the IT Act. The propositions are not undermined, and with the uncertainty over ownership of the Fixed Deposits, the accruing interest cannot be treated as income calling upon the Assessee to pay taxes.

9. This Court concludes that the Banks may have effected TDS during these relevant assessment years or the Assessee may have filed Returns declaring the accrued interest as income, but what is not in dispute is that the accrued interest is not credited to the Assessee's Account and the uncertainty over the Fixed Deposit until the final decision in the pending criminal proceedings. The Assessee, if it is ultimately held in the pending criminal proceedings is entitled to the Fixed Deposits [and therefore the accrued interests] there must be additions that would be permissible. Hence, these appeals are ***disposed of*** answering the substantial questions in favour of the Assessee holding that



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*Tribunal is correct in deleting the addition of interest
on Fixed Deposits.*

**Sd/-
(B.M.SHYAM PRASAD)
JUDGE**

**Sd/-
(SHIVASHANKAR AMARANNAVAR)
JUDGE**

PJ/CT:VH
List No.: 3 Sl No.: 5