

Commissioner of Income Tax, Bhopal ...Appellant (s)

Versus~

Narendra DoshiRespondent (s)

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The question that the High Court was called upon to answer read thus:

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"Whether on the facts and in the circumstances of the case, the Income Tax Appellate Tribunal was justified in law in upholding the order of Dy. CIT (A) Indore, directing to allow interest on interest, when the law points for grant of simple interest only?"

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.SP2
It answered it in the affirmative and in favour of the assessee, relying upon the judgments which laid down that interest was payable on the excess amount paid towards income tax.

The Tribunal, whose decision the High Court affirmed, had relied upon the decision of the Gujarat High Court in the case of D.J. Works vs. Deputy Commissioner of Income Tax@@
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(195 I.T.R. 227), which had been followed by the same High Court in Chimanlal S. Patel vs. Commissioner of Income Tax@@
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(210 I.T.R. 419). These decisions hold that the Revenue is liable to pay interest on the amount of interest which it should have paid to the assessee but has unjustifiably failed to do so.

The Revenue has not challenged the correctness of the two decisions of the Gujarat High Court. They must, therefore, be bound by the principle laid down therein. Following that principle, the question has, as we find, been rightly answered in the affirmative and in favour of the assessee.

The civil appeal is dismissed.
No order as to costs.

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.....J.
(S.P. Bharucha)@@
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.....J.
(Y.K. Sabharwal)@@
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.....J.
(Brijesh Kumar)@@
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New Delhi,
July 26, 2001.