

IN THE SUPREME COURT OF INDIA  
CIVIL APPELLATE JURISDICTION

CIVIL APPEAL NO.3031/2006

COMMISSIONER OF INCOME TAX

APPELLANT(S)

VERSUS

M/S. INDIAN OVERSEAS BANK

RESPONDENT(S)

WITH

CIVIL APPEAL No.957/2012 & CIVIL APPEAL NO.5219/2013

O R D E R

Civil Appeal Nos. 3031/2006 and 957/2012

In these appeals which arise under the Interest-tax Act, 1974, three issues are raised which read as under:

"(i) Whether interest on securities, interest on debentures and interest on Government electricity Bonds will form part of the chargeable interest under the Interest-tax Act?

(ii) Whether interest on bills re-discounted will form part of the chargeable interest under the Interest-tax Act?

(iii) Whether interest tax collected from the borrowers will form part of the chargeable interest under the Interest-tax Act?

Insofar as the first issue is concerned, following the judgment of this Court in Commissioner of Income Tax, Kolhapur vs.

Ratnakar Bank Ltd.[2008(14) SCC 236], we remand the case back to the Assessing Authority to ascertain whether the interest involved in the present case is on government securities or others. The outcome of the case would depend upon the aforesaid determination in the manner mentioned in para 6 of the aforesaid judgment which is as under:

"6. Learned counsel for the appellant submitted that this Court's decision related to the interest on government securities. Learned counsel for the assessee submitted that in the instant case the interest earned was on government securities only. The stand is denied by learned counsel for the appellant. Let the Tribunal examine the factual position as to whether the interest involved in the present case is on government securities. If that be so, the ratio of the decision in Corporation Bank's case (supra) will apply to the facts of the present case and if the interest earned is not solely on government securities, the ratio of the decision will not apply."

The second issue relating to interest on bills re-discount squarely stands covered in favour of the assessee and against the Revenue by the judgment of this Court in Commissioner of Income-Tax vs. Canara Bank [2007(293) IT 115 SC].

Insofar as the last issue which relates to interest tax collected from the borrowers is concerned, we hold that no income accrued in favour of the assessee as the assessee had collected the said tax from the borrowers only for depositing the same with the Income Tax Department.

The appeals are disposed of in the aforesaid terms.

Civil Appeal No. 5219 of 2013

In this appeal since only two issues i.e. issue nos. 2 and 3, as mentioned in the above said two appeals, are involved, the appeal is disposed of in terms of the order passed in respect of those issues in Civil Appeal Nos. 3031/2006 and 957/2012.

.....J.  
[A.K. SIKRI]

.....J.  
[ROHINTON FALI NARIMAN]

NEW DELHI;  
AUGUST 28, 2015.

ITEM NO.110

COURT NO.14

SECTION IIIA

S U P R E M E C O U R T O F I N D I A  
R E C O R D O F P R O C E E D I N G S

Civil Appeal No(s). 3031/2006

C.I.T.

Appellant(s)

VERSUS

M/S. INDIAN OVERSEAS BANK

Respondent(s)

WITH

C.A. No. 957/2012

(With Office Report)

C.A. No. 5219/2013

(With Office Report)

Date : 28/08/2015 These appeals were called on for hearing today.

CORAM : HON'BLE MR. JUSTICE A.K. SIKRI  
HON'BLE MR. JUSTICE ROHINTON FALI NARIMAN

For Appellant(s) Mr. B. V. Balaram Das, Adv.

Mr. Arijit Prasad, Adv.

Ms. Meenakshi Grover, Adv.

Ms. Rekha Pandey, Adv.

Mrs. Anil Katiyar, Adv.

For Respondent(s) Mr. B.K. Satija, AAG

Mr. Pritesh Kapur, Adv.

Ms. Radha Rangaswamy, Adv.

Ms. Namita Choudhary, Adv.

Mr. K. V. Mohan, Adv.

Mr. R.K. Raghavan, Adv.

Mr. K.V. Balakrishan, Adv.

UPON hearing the counsel the Court made the following  
O R D E R

The appeals are disposed of in terms of the signed order.

(Ashwani Thakur)

COURT MASTER

(Signed order is placed on the file)

(Renu Diwan)

COURT MASTER