Pr. Commissioner of Income Tax-7 v. M/s. RHC Holdings Private Limited

ITA 108/2023 (CM APPL. 8819/2023)

2023:DHC:2140-DB; ITA 108/2023 | 2023-02-23

AY 2006-07 section 14A computation: accepted consistent method and Rule 8D's prospective application defeat Revenue appeal.

Income-tax Act, 1961: sections 10(34) and 14A; Income-tax Rules, 1962: rule 8D

High Court of Delhi | Division Bench | Rajiv Shakdher, J. | Vikas Mahajan, J.

Assessment years: 2006-07

01 FACTS OF THE CASE

For AY 2006-07, Revenue appealed ITAT's order dated 3 April 2019. Dividend income of Rs.86,88,44,673 was excluded under section 10(34). The assessee voluntarily disallowed Rs.55,59,79,000 under section 14A: Rs.55,37,89,473 interest and Rs.21,89,527 estimated administrative expenses. ITAT accepted the method, used and accepted in other years, but also dismissed the assessee's cross-appeal against Rs.1.97 crore administrative personal expenses.

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02 DISCUSSION BY THE HON'BLE COURT

ITAT invoked consistency under Radha Soami Satsang, 193 ITR 321. Revenue sought a different methodology using Rule 8D, but did not dispute its application only from AY 2008-09 in view of Essar Teleholdings, (2018) 3 SCC 253. The Court found no substantial question of law warranting interference.

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03 JUDICIAL DECISION

Revenue's appeal was dismissed. Its 416-day delay in refiling had separately been condoned without objection from the assessee.

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04 OUTCOME / IN WHOSE FAVOUR

The Tribunal's order survived, including its treatment of the assessee's unsuccessful cross-appeal. This disposition does not eliminate the voluntary disallowance or award deletion of every administrative-expense amount.

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05 EXPERT COMMENTS

AKHB EXPERT COMMENTS — editorial analysis, distinct from the Court's findings.

Prospectivity limits the proposed method, not section 14A itself — The year was 2006-07, before the AY 2008-09 starting point accepted for Rule 8D. Yet the taxpayer had already identified substantial interest and administrative expenditure for disallowance. The case therefore distinguishes an unavailable computational rule from the underlying expenditure disallowance; it cannot support a nil-disallowance proposition for every pre-Rule 8D year.

Consistency has an evidentiary premise — ITAT's reasoning rested on the same method having been followed and accepted in other years, with reference to Radha Soami Satsang. A taxpayer invoking this reasoning should establish that history and comparability of the method. The judgment does not reproduce the full calculation or declare that every estimate binds Revenue regardless of changed facts.

Do not turn success in Revenue's appeal into success in the cross-appeal — The source expressly records the assessee's failed challenge to Rs.1.97 crore administrative personal expenses. It does not reconcile that item into a fresh final aggregate. The surviving order must be read with the Tribunal record for implementation; the High Court's dismissal supplies no additional numerical relief.

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SOURCE & VERIFICATION

High Court of Delhi source judgment/order

Complete 4-page source PDF; corrected note based on this document.

All 4 original pages read and visually inspected; all five panels audited.

Open cited source rendition

All four original pages read and visually inspected; both appellate outcomes and distinct amounts preserved.

STATUTORY SCOPE

Source-era statutory provisions only; no Income-tax Act, 2025 equivalence asserted.

LATER TREATMENT

Source checked 2026-10-21. Subsequent treatment has not been independently verified.

AI DISCLOSURE

AI-assisted research checked against the identified source. Extraction, interpretation or omission errors remain possible. Source review does not mean independent approval by a practising professional. Verify every material statement against the complete original judgment.

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