Pr. Commissioner of Income Tax-7 v. Optimal Media Solutions Ltd. (Times Internet Ltd.)

ITA 538/2023 (CM Appls. 48336-38/2023)

2023:DHC:7560-DB; ITA 538/2023 | 2023-09-19

Advertising-agency retention was trade discount on the found relationship; section 14A computation was restricted to relevant investments.

Income-tax Act,1961: sections 14A, 40(a)(ia), 194H

High Court of Delhi | 2-judge bench (Division Bench) | Justice Rajiv Shakdher | Justice Girish Kathpalia

Assessment years: 2009-10

01 FACTS OF THE CASE

Optimal Media sold advertorial space in Times of India Group publications. Agencies remitted billed amounts after retaining 15%. The AO disallowed Rs.11,20,43,563 for alleged section 194H default and Rs.23,26,926 under section 14A.

Source: PDF pp.2–3

02 DISCUSSION BY THE HON'BLE COURT

The appellate authorities found a principal-to-principal relationship and treated the retained amount as trade discount. The Commissioner also reduced section 14A disallowance to Rs.13,45,785 by excluding investments other than those made to earn exempt income.

Source: PDF pp.3–5

03 JUDICIAL DECISION

The Court sustained both conclusions, referring to CBDT Circular 05/2016 and the relevant Rule 8D(2)(iii) computation. The AO had wrongly included other investments in that formula.

Source: PDF pp.4–6

04 OUTCOME / IN WHOSE FAVOUR

Revenue's appeal was closed with no substantial question of law. Delays of 31 days in filing and 131 days in refiling were condoned.

Source: PDF pp.1–2, 6

05 EXPERT COMMENTS

AKHB Expert Comments — editorial analysis, distinct from the Court's findings.

Characterise the relationship before the retained amount: The 15% retention mechanism did not by itself establish commission. The principal-to-principal finding supported its treatment as trade discount and the absence of section 194H liability. A comparable review should examine the actual commercial relationship and billing evidence; calling a payment a discount without that foundation would miss the reasoning. (PDF pp.3–5)

Section 14A relief was a reduction, not complete deletion: The sustained amount was Rs.13,45,785. The Court approved the Commissioner's investment base under the formula applicable to this assessment year, rather than eliminating section 14A or declaring every investment irrelevant. A computation should separately identify the excluded investments and preserve the surviving disallowance. (PDF pp.2–4, 6)

Keep the authorities and assessment year in context: The judgment expressly discusses the 2016 circular and notes consistent treatment in preceding and following years. That history reinforces the result but is not a rule that prior acceptance always binds Revenue. The decision concerns AY 2009-10 and does not establish the operation of later amendments to Rule 8D or subsequent judicial treatment. (PDF pp.5–6)

Source: PDF pp.3–5

SOURCE & VERIFICATION

Original High Court judgment PDF — AKHB source repository

Complete 6-page original reviewed; source bytes verified.

Full original and all five panels re-reviewed on 21 October 2026.

Open cited source rendition

Complete original source and all five note panels checked; original docket identities preserved.

STATUTORY SCOPE

Current law and subsequent treatment not independently verified.

LATER TREATMENT

Source checked 2026-10-21. Subsequent proceedings and current judicial treatment have 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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