Pr. Commissioner of Income-tax-21, Delhi v. M/s. Remfry & Sagar

ITA 200/2017, 201/2017 & 207-211/2017

2025:DHC:10916-DB | ITA 200, 201 and 207–211/2017 | Delhi High Court, 5 December 2025 | 2025-12-05

Goodwill licence fee and Explanation 1 to section 37: seven Revenue appeals dismissed following the taxpayer's earlier decisions.

Income-tax Act, 1961: section 37, Explanation 1, and section 260A; Advocates Act and Bar Council of India Rules discussed

High Court of Delhi | 2-judge bench (Division Bench) | Hon'ble Justice V. Kameswar Rao | Hon'ble Justice Mini Pushkarna

Assessment years: Not specified in source

01 FACTS OF THE CASE

Early-hearing applications in seven Revenue appeals were allowed without objection. The framed questions concerned the deduction of licence fees for goodwill, the Bar Council restrictions and Explanation 1 to section 37, including the alleged device of using goodwill. Revenue conceded that the questions were covered by Remfry & Sagar, 2025:DHC:9183-DB, in ITAs 525–528 and 531/2025. That decision, reproduced here, followed ITA 199/2017.

Source: PDF p.1

02 DISCUSSION BY THE HON'BLE COURT

The adopted reasoning applies the principal-purpose test: the consideration bought use of valuable goodwill attached to the Remfry & Sagar name. A percentage of billing measured the licence fee rather than sharing professional remuneration. Questioning the motive behind the gift of goodwill was extraneous to the expenditure under scrutiny. Apex Laboratories was distinguished by its express medical-regulation prohibition. Revenue's present concession and parity of reasoning led to dismissal.

Source: PDF p.8

03 JUDICIAL DECISION

The framed substantial questions were decided against Revenue and for the assessee. ITAs 200, 201, 207, 208, 209, 210 and 211/2017 were all dismissed.

Source: PDF p.12

04 OUTCOME / IN WHOSE FAVOUR

The goodwill licence-fee relief challenged in these seven appeals survived. This order does not supply a year-by-year deduction amount or determine a new professional-disciplinary proceeding.

Source: PDF p.2

05 EXPERT COMMENTS

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

Identify what the payment buys, not only how it is calculated — The adopted distinction is between consideration for exploiting goodwill and an arrangement to divide professional remuneration. Revenue-linked calculation alone did not establish prohibited sharing on these facts. For another agreement, its actual rights, commercial purpose and payment obligations matter; calling a payment a licence fee does not itself reproduce this case's factual foundation.

A purpose test does not remove an express prohibition — The Court's reasoning rejected a prohibited-purpose characterisation of this goodwill payment and distinguished Apex Laboratories because of the specific medical regulation there. It does not hold that professional regulations are always irrelevant to section 37 or that any expenditure with a business benefit escapes Explanation 1.

Preserve the chain of decisions and the seven dockets — This is a common disposal applying the earlier five-appeal decision, itself reproducing ITA 199/2017. The nested paragraph numbers belong to those quoted reasons, not to fresh paragraphs of this order. The seven present appeals remain distinct dockets; their assessment-year allocation and historical gift dates require the underlying records rather than inference from the quotations.

Source: PDF p.2

SOURCE & VERIFICATION

High Court of Delhi official judgment PDF — AKHB Repository (20251205_DLHC010544922017.pdf)

12-page official High Court of Delhi order/judgment PDF (20251205_DLHC010544922017.pdf, 104,868 bytes).

All 12 original pages read and visually inspected; all five panels audited.

Open cited source rendition

All twelve source pages, including nested precedent quotations and seven-docket operative disposal, visually verified.

STATUTORY SCOPE

Individual assessment years and licence/gift dates are not specified in this order. Most detailed reasoning is quoted through the earlier five-appeal decision 2025:DHC:9183-DB from ITA 199/2017.

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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