

Commissioner of Income Tax v. M/s PNB Capital Services Ltd.

ITA 154/2006

ITA 154/2006 (Del HC, decided 08.05.2026) | 2026-05-08

Interest-tax Act, 1974 (as amended by Finance (No. 2) Act, 1991): interest earned on Government Securities and Public Sector Undertaking (PSU) Bonds is not exigible to interest-tax under section 2(7), following CIT v. Sahara India Savings and Investments Corp. Ltd., 321 ITR 371 (SC).

Income-tax Act, 1961: section 260A | Interest-tax Act, 1974 (as amended by Finance (No. 2) Act, 1991): section 2(7)

High Court of Delhi | 2-judge bench (Division Bench) | Dinesh Mehta, J. | Amit Mahajan, J.

Assessment years: Not stated in source PDF (ITA 154/2006 admitted 06.02.2006)

Direct-tax appeal under the Interest-tax Act, 1974 (repealed w.e.f. 01.04.2000); assessment year not printed on the 2-page order

Although docketed as an Income Tax Appeal (ITA 154/2006) and retained in the Delhi High Court 1_Substantive_Precedents folder, the substantive question adjudicated arises under the Interest-tax Act, 1974 (as amended by the Finance (No. 2) Act, 1991). The 2-page order does not state the specific assessment year.

01 FACTS OF THE CASE

The Revenue filed ITA 154/2006 against M/s PNB Capital Services Ltd., which was admitted by the Delhi High Court on 06.02.2006 on the substantial question of law whether the ITAT was correct in law in holding that interest earned on Government Securities and Public Sector Undertaking (PSU) Bonds is not exigible to tax under the Interest-tax Act, 1974 as amended by the Amending Act, 1991.

Source: [Paragraph 1; PDF p. 1](#)

02 DISCUSSION BY THE HON'BLE COURT

When the appeal came up for hearing on 08.05.2026, Senior Standing Counsel for the Revenue fairly submitted at the outset that the question of law stood conclusively decided against the Revenue by the Supreme Court in Commissioner of Income Tax v. Sahara India Savings and Investments Corporation Limited, (2010) 321 ITR 371 (SC), which held that interest on Government Securities and PSU Bonds is not 'interest on loans and advances' exigible to tax under the Interest-tax Act, 1974 as amended.

Source: [Paragraph 2; PDF pp. 1-2](#)

03 JUDICIAL DECISION

Recording that the issue had attained finality under the judgment of the Supreme Court in Sahara India Savings and Investments Corporation Limited, 321 ITR 371 (SC), the High Court dismissed ITA 154/2006.

Source: [Paragraphs 2-3; PDF pp. 1-2](#)

04 OUTCOME / IN WHOSE FAVOUR

In favour of the assessee (M/s PNB Capital Services Ltd.). The Revenue's appeal was dismissed.

Source: [Paragraph 3; PDF p. 2](#)

05 AKHB REVIEW POINT

AKHB analysis: for legacy direct-tax appeals under the Interest-tax Act, 1974 pending before High Courts, verify whether the disputed receipts represent interest/discount on debentures, bonds or Government securities (investment instruments) rather than loans and advances; all such investment-security interest stands excluded under Sahara India Savings (321 ITR 371).

Source: [AKHB analysis based on paragraphs 1-3 / PDF pp. 1-2](#)

SOURCE & VERIFICATION

[Delhi High Court official digital order PDF - AKHB Cloud Repository](#)

Two-page official Delhi High Court order PDF in ITA 154/2006; paragraphs 1-3 span PDF pages 1-2.

Supplied source-reviewed note retained; original bytes and identity validation checked in this release. Substantive re-review is not claimed for this record.

[Open cited source rendition](#)

Full 2-page official Delhi High Court PDF read and verified. Original bytes match SHA-256 67d08e024c880312fa4496d24549d65eb1667cb7a66d4bf99903b92ea5f3a0b6.

STATUTORY SCOPE

Applies the Interest-tax Act, 1974 (as amended by Finance (No. 2) Act, 1991) read with section 260A of the Income-tax Act, 1961. Income-tax Act, 2025 equivalence is not applicable.

LATER TREATMENT

Source checked 2026-10-17. Full judgment checked. Follows CIT v. Sahara India Savings and Investments Corporation Limited, (2010) 321 ITR 371 (SC). Comprehensive subsequent judicial treatment has not been 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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