Principal Commissioner of Income Tax & Anr. v. Agnus Holdings Pvt. Ltd.

ITA 338/2017 connected with ITA 379/2017

2024:KHC:32336-DB | 2024-08-12

Section 14A and forfeited share-warrant capital loss: Revenue appeals dismissed; Tribunal's remand position retained.

14A | 260A

Karnataka High Court | Division Bench at Bengaluru | S.G. Pandit | C.M. Poonacha

Assessment years: 2009-10

01 FACTS OF THE CASE

Agnus carried on investment, finance and share trading and returned a loss of Rs.26,67,78,608 for AY 2009-10. The AO made a section 14A disallowance and rejected capital loss from forfeiture of share-warrant money. After partial CIT(A) relief, both sides appealed to the Tribunal, which partly allowed both appeals on 13 October 2016 in ITA 529 and 668/Bang/2014. Revenue brought these two High Court appeals.

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02 DISCUSSION BY THE HON'BLE COURT

The admitted questions separately challenged the section 14A/Rule 8D treatment and short-term capital-loss relief. The Court recorded that the Tribunal had remanded the section 14A issue to the AO using directions from the assessee's AY 2010-11 order dated 30 November 2015 in ITA 1612/Bang/2014. It then followed DCIT v. BPL Sanyo Finance Ltd., (2009) 312 ITR 63, in answering the questions.

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03 JUDICIAL DECISION

Both substantial questions were answered in favour of Agnus and against Revenue by following BPL Sanyo Finance. Both appeals were dismissed.

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04 OUTCOME / IN WHOSE FAVOUR

Revenue failed to disturb the Tribunal's orders. The section 14A remand described in paragraph 7 was not replaced by a High Court computation or a finding that the final disallowance must be nil.

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05 EXPERT COMMENTS

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

A dismissed Revenue appeal does not erase the Tribunal's remand — The key distinction is between success in the High Court and completion of the underlying computation. Paragraph 7 expressly describes reconsideration by the AO under similar directions to another year. Dismissal therefore preserves that procedural position; it does not itself quantify deductible expenditure or conclude that no section 14A disallowance can survive.

The two issues should not be collapsed into one rule — The framed questions separately concern exempt-income expenditure and a short-term capital loss from forfeited share-warrant money. Paragraph 6's compressed wording should not be read as treating that capital loss as a section 14A expense. The Court invokes BPL Sanyo Finance but does not reproduce its reasoning or provide transaction-level loss computations, limiting what this judgment alone proves about another forfeiture.

The source supports two connected appeals and one operative result — The caption and opening paragraphs identify two Revenue appeals arising from different Tribunal appeal numbers. Their common judgment does not make either docket disappear. The stray statement that the assessee brought the present appeal is contradicted by those explicit identifiers and the dismissal of Revenue's challenges. Preserving both numbers prevents a mistaken party outcome or loss of a distinct proceeding.

Source: PDF p.1

SOURCE & VERIFICATION

Karnataka High Court original judgment - verified repository copy

Complete 7-page supplied source; all pages read.

All 7 original pages read and visually inspected; all five panels audited.

Open cited source rendition

All 7 PDF pages reviewed; actual SHA-256: ebc5b6f3553073247f89557df601e7e2e8fc8b5c1a431fb230509d99f329dbaf. Original record ID retained; no merger inferred from shared source or connected appeals.

STATUTORY SCOPE

Paragraph 3 prints 141A and mistakenly calls the High Court appellant the assessee. Captions, paragraphs 1–2 and the framed questions establish Revenue appeals and section 14A. Paragraph 6 compresses the two issues; they are kept distinct here.

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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