Commissioner of Income Tax, Chennai v. M/s. Wheels India Ltd.

T.C.A. No. 91 of 2016

T.C.A. No. 91 of 2016 (Madras High Court, decided 8 July 2025) | 2025-07-08

Interest disallowance, unrealised exchange loss and non-resident commission: four questions resolved for the assessee on agreed precedent coverage.

Income-tax Act, 1961: sections 43(5)(d), 40(a)(i), 9 and 260A; interest-disallowance question prints 8D(2)(ii)

High Court of Judicature at Madras | 2-judge bench (Division Bench) | K.R. Shriram, Chief Justice | Sunder Mohan, J.

Assessment years: Not specified in source

01 FACTS OF THE CASE

Revenue appealed ITAT Madras B Bench's order dated 30 April 2014 in ITA 479/Mds/2013. Four questions framed on 3 February 2016 concerned interest disallowance and availability of interest-free funds; unrealised exchange loss on derivatives and restated forward contracts, challenged as speculative under section 43(5)(d); and non-resident agent commission under section 40(a)(i) and section 9.

Source: PDF p.1

02 DISCUSSION BY THE HON'BLE COURT

Both counsel agreed that the questions were covered for the assessee. For question 1, the Court recorded Sintex Industries, 403 ITR 418 (Guj), and Reliance Industries, (2019) 307 CTR (SC) 121. For question 2 it recorded Woodward Governor, 312 ITR 254 (SC), and Precot Meridian, (2020) 120 taxmann.com 429 (Mad). Questions 3 and 4 were covered by the taxpayer's own case, MANU/TN/5586/2021, and Evolv Clothing, 407 ITR 72 (Mad).

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03 JUDICIAL DECISION

On that agreed coverage, all four substantial questions were answered in favour of the assessee. The tax case appeal was dismissed without costs.

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04 OUTCOME / IN WHOSE FAVOUR

The Tribunal's relief survived on all four questions. The High Court did not quantify the deduction or disallowance, restate the cited judgments' full reasoning, or make fresh findings about the taxpayer's funding balances, contracts or overseas agents.

Source: PDF p.3

05 EXPERT COMMENTS

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

Interest question: precedent coverage is not a new balance-sheet finding — Revenue's question challenged proof of interest-free funding; the Court disposed of it through Sintex and Reliance Industries with counsel's agreement. The order gives no capital, reserve or investment balances. Applying it to another taxpayer requires the relevant funding evidence and the reasoning of those authorities, rather than treating this judgment as proof that every mixed-fund investment is protected.

Exchange loss: keep the speculative-transaction objection visible — The framed question concerns unrealised derivative loss and restatement of forward contracts, with Revenue relying on section 43(5)(d). Woodward Governor and Precot Meridian supplied the accepted coverage. The short order does not identify hedge terms, recognition policy or an amount, nor pronounce a general allowance for every derivative loss. Those distinctions matter when comparing another transaction.

Commission: two questions, one recorded line of authority — The withholding-disallowance and section 9 questions were both resolved by the earlier Wheels India judgment and Evolv Clothing. No findings about services performed abroad, agent presence or contract terms appear here. The source's unusual section labels should be checked against the underlying records; they cannot justify importing a Faizan Shoes holding or asserting a universal exemption for export commission.

Source: PDF p.2

SOURCE & VERIFICATION

High Court of Judicature at Madras official judgment PDF — AKHB Repository (20250708_HCMA010983712016.pdf)

5-page official High Court of Judicature at Madras order/judgment PDF (20250708_HCMA010983712016.pdf, 111,247 bytes).

All 5 original pages read and visually inspected; all five panels audited.

Open cited source rendition

All five original pages read and visually checked; statutory-label anomalies disclosed and unsupported assessment year removed.

STATUTORY SCOPE

The source prints "Section 8D(2)(ii)" and "Explanation 2 below Section 9(1)(iii)". These labels are retained as source qualifications; the order supplies no assessment year.

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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