Commissioner of Income Tax (Central), Ludhiana v. Upper India Steel Manufacturing & Engineering Co. (P) Ltd.

ITR 80/1988

ITR 80/1988 | 2007-01-16

Deliberate underestimation of early advance-tax instalments attracted historical section 216 interest.

216 | 209A

High Court of Punjab and Haryana | Division Bench | Justice M.M. Kumar | Justice Rajesh Bindal

Assessment years: 1982-83

Scope of this order

The assessee remained liable to interest for the deferred instalments under the historical provision.

01 FACTS OF THE CASE

The assessee initially estimated advance tax of Rs.46,12,500 and paid two instalments of Rs.15,37,500. On 12 March 1982 it revised liability to Rs.68,88,000 and paid the balance with the final instalment. The Tribunal treated aggregate payment by year-end as sufficient to avoid section 216 interest.

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02 DISCUSSION BY THE HON'BLE COURT

The Court rejected the aggregate-payment approach. Comparable business activity showed no early decline or late surge; no satisfactory explanation for the lower instalments was supplied despite opportunity. The Court found deliberate underestimation on these facts.

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03 JUDICIAL DECISION

The reference was answered for Revenue and against the assessee: section 216 applied to the deliberately underestimated first two instalments.

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04 OUTCOME / IN WHOSE FAVOUR

The assessee remained liable to interest for the deferred instalments under the historical provision.

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05 EXPERT COMMENTS

Year-end payment does not answer the instalment issue — The Tribunal's aggregate approach ignored the statutory instalment basis. The Court focused on when the advance tax should have been paid.

Deliberateness was established from the record — The judgment distinguished bona fide error by examining business comparisons and the absence of an explanation. It did not hold that every forecasting shortfall automatically proves deliberate underestimation.

Use the correct statutory period — The dispute is AY 1982-83. Its reasoning should not be transplanted into a present-day interest computation without identifying the applicable statutory regime.

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SOURCE & VERIFICATION

Primary High Court order - verified local repository copy

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STATUTORY SCOPE

This reference concerns AY 1982-83 and the then-applicable sections 216 and 209A. It is not a computation of interest under the current advance-tax framework.

LATER TREATMENT

Source checked 2026-10-21. Subsequent judicial 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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