Commissioner of Income Tax, Chandigarh-I v. HFCL Infotel Limited

ITA Nos. 616 and 617 of 2006

ITA 616/2006 and ITA 617/2006 | 2007-07-09

Pre-operative guarantee-deposit interest treatment retained on direct project nexus and consistency.

260A

High Court of Punjab and Haryana | Division Bench | Justice M.M. Kumar | Justice Ajay Kumar Mittal

Assessment years: 1999-2000, 2000-01

Scope of this order

The assessee retained the capital-cost treatment for the two years in these appeals.

01 FACTS OF THE CASE

Revenue's two appeals concerned AYs 1999-2000 and 2000-01. Fixed deposits of Rs.6.25 crore supported licence-related bank guarantees before operations commenced on 24 July 2000. The dispute was whether the interest reduced project cost or was taxable as other-source income.

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02 DISCUSSION BY THE HON'BLE COURT

The Tribunal found the deposits directly connected to mandatory guarantees and the project. The High Court also stressed that Revenue had accepted the same treatment for AY 1998-99 and offered no satisfactory explanation for the different position, applying consistency.

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03 JUDICIAL DECISION

Both Revenue appeals were dismissed because no substantial question of law arose.

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04 OUTCOME / IN WHOSE FAVOUR

The assessee retained the capital-cost treatment for the two years in these appeals.

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05 EXPERT COMMENTS

The project nexus distinguishes these deposits — The source links the deposits to licence-required guarantees. It does not classify all pre-operative interest, including unrelated surplus investments, as a reduction of project cost.

Preserve the High Court's consistency rationale — Acceptance of the same issue for the preceding year was expressly questioned and left unexplained by Revenue. That case-specific history is part of the ratio, not merely incidental background.

Retain both appeal identities and both years — The common order disposes of ITA 616 and 617 of 2006. AY 1998-99 is the comparison year, not a third appeal disposed of in this order; the blank fourth physical page is retained in the original PDF.

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SOURCE & VERIFICATION

Primary High Court order - verified local repository copy

Complete source PDF reviewed: 4 physical pages.

Complete source text and every original page visually reviewed; identity and SHA-256 checked. AI-assisted source analysis.

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All 4 physical source pages read and visually inspected. SHA-256: 038994183e3be3a97aef1821922e4cb4c929a9bd3002058d639f0883b484f28b.

STATUTORY SCOPE

Sections and disposition are recorded only to the extent stated in this source order.

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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