Pr. Commissioner of Income Tax-2, Hyderabad v. M/s. Patni Telecom Solutions Pvt. Ltd. (now known as M/s. IGATE Information Services P. Ltd.)

Income Tax Tribunal Appeal No. 588 of 2017 (in ITAT ITA No. 2040/Hyd/2011)

I.T.T.A. No. 588 of 2017 (Telangana HC, decided 22.12.2025) | 2025-12-22

Section 10A export-turnover exclusions also removed from total turnover; covered question answered for assessee.

Income-tax Act,1961: sections 10A, 260A

High Court for the State of Telangana | 2-judge bench (Division Bench) | Justice P. Sam Koshy | Justice Suddala Chalapathi Rao

Assessment years: 2007-08

01 FACTS OF THE CASE

Revenue appealed the ITAT Hyderabad order of 16 November 2016 in ITA 2040/Hyd/2011 concerning Patni Telecom Solutions, now IGATE Information Services. The question was whether expenses excluded from export turnover under Explanation 2(iv) to section 10A must also be excluded from total turnover.

Source: PDF pp.1–3, paras 1–3

02 DISCUSSION BY THE HON'BLE COURT

The Court applied CIT v. HCL Technologies Ltd., (2018) 6 SCC 709. Both sides produced the CBDT circular dated 14 August 2018, whose quoted passages require corresponding exclusions from both turnover measures and direct that appeals on the settled issue not be pursued. Revenue accepted that nothing further survived.

Source: PDF pp.3–5, paras 4–6

03 JUDICIAL DECISION

The question of law was answered for the assessee and against Revenue; the appeal was disposed of.

Source: PDF p.5, para 7

04 OUTCOME / IN WHOSE FAVOUR

Tribunal result stood undisturbed on this question. Pending miscellaneous petitions closed; no order as to costs.

Source: PDF p.5, paras 7–8

05 EXPERT COMMENTS

AKHB Expert Comments — editorial analysis, distinct from the Court's findings.

Maintain symmetry in the deduction fraction: Removing a qualifying expense only from export turnover would leave the same item in the denominator. The accepted rule requires corresponding treatment in total turnover. A computation review should therefore reconcile each excluded item across both measures, rather than treating the export-turnover adjustment as an isolated reduction. (PDF pp.3–4, paras 3–5)

Match the expense to the specified category: The reproduced clarification concerns freight, telecommunications and insurance attributable to delivery outside India, and foreign-exchange expenditure for technical services outside India. It is not an instruction to exclude every operating expense. Supporting schedules should identify the relevant category and attribution; this judgment does not determine fresh amounts or validate a particular allocation. (PDF p.4, quoted circular)

Disposition includes an answered legal question: Although Revenue conceded that the settled issue left nothing to adjudicate, the Court expressly answered the question for the assessee. The result is therefore more specific than a bare withdrawal. The source prints the circular number as No.4 of 2018 and dates it 14 August 2018; the quoted text and date are reported without silently substituting a different number. (PDF pp.3–5, paras 5–8)

Source: PDF pp.3–4, paras3–5

SOURCE & VERIFICATION

Original High Court judgment PDF — AKHB source repository

Complete 6-page original reviewed; source bytes verified.

Full original and all five panels re-reviewed on 21 October 2026.

Open cited source rendition

Complete original source and all five note panels checked; original docket identities preserved.

STATUTORY SCOPE

Current law and subsequent treatment not independently verified.

LATER TREATMENT

Source checked 2026-10-21. Subsequent proceedings and current judicial treatment have 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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