

Sandvik Asia Ltd. v. Commissioner of Income Tax-I, Pune and Others

Civil Appeal Nos. 1337–1340 of 2005

[2006] 1 SCR 811 | 2006-01-27

Whether the assessee should be compensated for Revenue's extraordinary delay, ranging from 12 to 17 years, in paying amounts including statutory refund interest already admittedly due.

214(1) | 214(1A) | 237 | 240 | 244(1) | 244(1A)

Two-judge bench | H.K. Sema, J. | Dr. Ar. Lakshmanan, J.

Assessment years: 1977-78, 1978-79, 1981-82, 1982-83

Historical compensation award; later clarification essential

Gujarat Fluoro Chemicals (three judges, 2013) explains Sandvik as compensation for extraordinary delay and rejects a general interest-on-interest entitlement. Only statutory interest may be claimed. Sandvik's 9% award and conditional 15% direction concern its stated base and historical period, not present refund rates. Comprehensive later treatment and current law remain unverified. The reported computation table has unreconciled arithmetic; the expressly ordered base and period control this summary.

01 FACTS OF THE CASE

The four appeals concerned AYs 1977-78, 1978-79, 1981-82 and 1982-83. Appellate tax relief generated refunds and statutory-interest claims. After revision proceedings and the Supreme Court's earlier 30 April 1997 remand, interest was paid on 27 March 1998 only up to the relevant tax-refund dates. The present claim addressed the long intervening withholding of that interest, rather than reopening the settled underlying statutory entitlement (physical pages 6–10 and 32–34).

The reproduced computation for AY 1978-79 prints total interest of Rs.42,38,846, a deduction of Rs.1,73,940 previously granted and Rs.40,84,906 payable. Those printed figures do not arithmetically reconcile; the note does not substitute a corrected total or balance. The Bombay High Court rejected the further compensation claim on 16 January 2004. These historical figures and stages must be distinguished from the Supreme Court's eventual quantified direction (pages 9–10 and 40).

Source: See the proposition-specific paragraph and PDF-page references below.

02 DISCUSSION BY THE HON'BLE COURT

The Court treated the 12-to-17-year withholding as unjustified. An erroneous view of the governing law did not excuse the deprivation of admittedly due money. It read the historical section 240 expression concerning an amount becoming due after appellate proceedings more broadly than section 237's initial excess-tax refund formulation, and rejected reliance on a section 240 proviso that was not then applicable (physical pages 32–35).

The opinion discussed the cited refund-interest authorities and distinguished Modi Industries because the basic statutory-interest computation was already settled. Its live concern was compensation for the subsequent extraordinary delay. The reasoning must be read together with the final observations that the statutory provision governs where specific provision exists and that the award depends on the peculiar facts and circumstances (pages 34–35 and 38–40).

The reported pages include extensive party submissions, quoted High Court authorities and a reproduced indirect-tax circular. Those passages are not independent new rulings on every refund scheme, nor do the earlier 1997 remand and historical calculation establish a new general compounding formula.

Source: See the proposition-specific paragraph and PDF-page references below.

03 JUDICIAL DECISION

The assessee's appeals were allowed and the Bombay High Court judgment set aside without costs. The operative direction was simple interest at 9% per annum on Rs.40,84,906, expressly rounded to Rs.40,84,900, for 31 March 1986 to 27 March 1998, to be paid within one month of the judgment. On failure, the direction specified penal interest at 15% per annum for that same stated period. The opinion also directed forwarding a copy to the Finance Minister for consideration of appropriate action concerning the responsible officials (physical pages 39–40).

Source: See the proposition-specific paragraph and PDF-page references below.

04 OUTCOME / IN WHOSE FAVOUR

In whose favour: Assessee in these appeals

Appeals allowed; High Court judgment set aside; specified simple-interest compensation directed; no costs

Final quantified relief for the stated historical delay and claim

The 9% rate, rounded base, fixed interval and conditional 15% direction are case-specific. The later three-judge Gujarat Fluoro clarification prevents using Sandvik as a general entitlement to interest on statutory interest.

Source: See the proposition-specific paragraph and PDF-page references below.

05 AKHB REVIEW POINT

For a refund-interest dispute, identify the statutory entitlement, the actual amounts paid and the periods left unpaid. Preserve the difference between the historical calculation, the compensation sought and the amount ultimately ordered. Sandvik's confined operative period ends on 27 March 1998; it should not be rewritten as a running award at 9% until every later date or as an automatic present refund rate.

The actual three-judge Gujarat Fluoro Chemicals order of 18 September 2013 was checked. Paragraphs 4–8 explain Sandvik as compensation for extraordinary delay, reject its general interest-on-interest interpretation and clarify that only statutory interest may be claimed, without further interest on that statutory interest. Paragraph 9 sends the individual matters back to a two-judge bench; it does not finally dispose of every taxpayer's claim. Read this historical judgment with that express limitation. No broader later-treatment or current-law conclusion is certified.

Source: See the proposition-specific paragraph and PDF-page references below.

PROPOSITION-SPECIFIC SOURCE PARAGRAPHS AND PDF PAGES

1.

Topic: Identity, appeals and judicial boundary

Source url: [Open cited source](#)

Pdf pages: 1; 5; 6

Paragraphs: Cover; jurisdiction; unnumbered opening

Source role: reported metadata and judicial text

2.

Topic: Four-year history and monetary table

Source url: [Open cited source](#)

Pdf pages: 6; 7; 8; 9; 10

Paragraphs: Unnumbered facts; embedded 1997 order and 1998 computation

Source role: judicial text

3.

Topic: Historical statutory versions

Source url: [Open cited source](#)

Pdf pages: 13; 18; 19

Paragraphs: Section 240 and quoted sections 237,243,244

Source role: judicial text

4.

Topic: Historical basis for compensation

Source url: [Open cited source](#)

Pdf pages: 32; 33; 34; 35

Paragraphs: Unnumbered reasons; SCR 842–845

Source role: judicial text

5.

Topic: Case-specific compensation and operative relief

Source url: [Open cited source](#)

Pdf pages: 38; 39; 40

Paragraphs: Unnumbered concluding reasons and final directions; SCR 848–850

Source role: judicial text

6.

Topic: Mandatory later three-judge qualification

Source url: [Open cited source](#)

Pdf pages: 3; 4; 5

Paragraphs: 4–9

Source role: bounded later judicial comparison

ADDITIONAL STATUTORY CONTEXT, NOT SEPARATE HOLDINGS

214 / 244: Historical statutory refund-interest entitlement already settled in the earlier proceedings

240: Version before the proviso effective 1 April 1989; amount becoming due after appellate relief

244a: Mentioned in the 2006 reasoning and specifically addressed in the checked 2013 clarification; not a certificate of present interest rates

JUDICIAL AUTHORSHIP AND SEPARATE OPINIONS

Dr. Ar. Lakshmanan, J.

ACT IDENTIFIED IN THE REVIEWED SOURCE

Income-tax Act, 1961

SOURCE & VERIFICATION

[Hon'ble Supreme Court source PDF \(reported judgment\)](#)

Identified source rendition: 40 PDF pages; SHA-256

f1711cab30ba3951098dea6029a3f39b1b9da4d87cbef6e501cf74803acc4f2a. Original bytes preserved.

Entire unnumbered judicial text on physical pages 6–40 (SCR 816–850), beginning with Dr. Ar. Lakshmanan J.'s author line and ending with allowance of the appeals. Physical pages 1–5 are reporter material and proceeding metadata. Embedded 1997 order, counsel submissions, statutory extracts, precedent quotations and the indirect-tax circular are identified as such. No adjacent judgment.

[Open cited source rendition](#)

Citation uses the running header of this actual Sandvik rendition. Gujarat Fluoro's editorial case-law reference describes it as 2006 (2) SCR 811; that inconsistent secondary recital is not substituted.

The 1997 order embedded on physical page 9 is procedural history, not the disposition of the 2006 appeals.; Unnumbered text and headings are preserved through physical-page/SCR pinpoints; paragraph numbers from another rendition are not invented.; The computation table's unrounded Rs.40,84,906 and the operative rounded Rs.40,84,900 are both expressly preserved.; The conditional 15% direction applies to the stated 1986–1998 period if payment is not made within one month; it is not recast as an additional 15% from the judgment date.; Broad language in the historical reasons must accompany the checked Gujarat Fluoro limitation.; The printed computation on physical pages 9–10 has arithmetic inconsistencies: its component entries, stated total, deduction and payable balance do not reconcile. The operative base and rounding on physical page 40 are independently explicit and are preserved without reconstructing the table.

STATUTORY SCOPE

No automatic mapping to the Income-tax Act, 2025 or present-law certification. Apply the statutory text for the relevant year.

LATER TREATMENT

Source checked 2026-10-04. No comprehensive subsequent judicial or statutory audit. The expressly identified later comparison was actually checked, but does not certify all later treatment, present law or any Income-tax Act, 2025 mapping.

IDENTIFIED SOURCE LINKS

[reported judgment - PDF pages: 40](#)

SHA-256: f1711cab30ba3951098dea6029a3f39b1b9da4d87cbef6e501cf74803acc4f2a

[bounded later comparison order - PDF pages: 5](#)

SHA-256: 775a7265d6c0a59b75e5999d7dd8e817981ae4a2da85450bf87293d962d985d8

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