

Commissioner of Income Tax, Bangalore & Anr. v. M/s. Century Building Industries Pvt. Ltd.

Civil Appeal No. 6820 of 2005 and connected proceedings (full list below)

[2007] 8 SCR 959 | 2007-08-10

Whether the company could avoid interest withholding by saying that borrowing and repayments routed through its name and accounts were really for its directors.

194A(1) | 201(1) | 201(1A) | 133A

Two-judge bench | S.H. Kapadia, J. | B. Sudershan Reddy, J.

Assessment years: See the source-scope notes; no year inferred.

Recorded company liability controls; no current threshold supplied

The company's named borrowing, interest debit and payment supported withholding/default liability; a later conduit label did not displace them. This is not an automatic rule for every intermediary, and Revenue's earlier inaction did not create a waiver. Fifteen appeals were allowed without a new quantified demand. The long statutory quotation mixes dated provisions; no present threshold, rate or exemption checklist is certified. Comprehensive later treatment remains unverified.

01 FACTS OF THE CASE

A survey of the real-estate/construction company revealed loan cheques received in its name and credited to its bank account before corresponding transfers to directors. Repayment and interest flowed back through the company's cheques. The company claimed these were only directors' transactions and it was a conduit; the AO treated it as a section 194A deductor in default and imposed section 201(1A) interest. The Tribunal accepted the conduit argument, prompting the Revenue appeals (paragraphs 1–5).

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

02 DISCUSSION BY THE HON'BLE COURT

The Court emphasised the undisputed advances to the company, repayment through its accounts and interest paid by it. After the survey, the directors could not demand that the corporate structure be ignored simply by calling those transactions namesake arrangements. No company resolution establishing the alleged conduit role had been placed before the AO (paragraphs 4–7).

The relevant credit was a specific interest amount calculated against the payer's liability to an identified creditor under the loan terms. The company had made that debit and paid the creditor; the statutory recovery obligation therefore could not be avoided on the stated explanation. The Court upheld invocation of sections 201 and 201(1A). Its criticism that Revenue should have objected to the practice earlier did not become a waiver or estoppel defeating the statutory obligation (paragraphs 6–8).

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

03 JUDICIAL DECISION

All fifteen Revenue appeals were allowed without costs, and the question was answered against the company. The Court upheld the section 194A obligation and consequent default/interest treatment on these facts. It did not specify an aggregate fresh demand, interest rate or a separate penalty (paragraphs 8–9).

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

04 OUTCOME / IN WHOSE FAVOUR

In whose favour: Revenue

Fifteen Revenue appeals allowed; no costs

Final on the company's withholding/default obligation on the recorded transactions

Not a rule that every intermediary is automatically the statutory payer, nor that a board resolution alone would reverse liability. Current thresholds, exemptions, payment credits and rates require separate examination.

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

05 AKHB REVIEW POINT

Trace the lender's legal counterparty, the account entries, the exact interest liability and payment path. A later label of conduit is not a substitute for contemporaneous evidence of the asserted arrangement. Nor does routing money through a company necessarily settle every different agency case without examining those facts.

The long section 194A extract contains historical thresholds and exceptions, some with dates later than the 1995 survey. It is not a present withholding checklist or a verified verbatim version for each unnamed year. Keep the Court's specific answer separate from any later principal-tax payment credit, rate or penalty issue that was not adjudicated here.

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

APPEAL AND PROCEEDING NUMBERS

Civil Appeal No. 6820 of 2005 / Civil Appeal No. 6821 of 2005 / Civil Appeal No. 6822 of 2005 / Civil Appeal No. 6823 of 2005 / Civil Appeal No. 6824 of 2005 / Civil Appeal No. 6825 of 2005 / Civil Appeal No. 6826 of 2005 / Civil Appeal No. 6827 of 2005 / Civil Appeal No. 6828 of 2005 / Civil Appeal No. 6829 of 2005 / Civil Appeal No. 6830 of 2005 / Civil Appeal No. 6831 of 2005 / Civil Appeal No. 6832 of 2005 / Civil Appeal No. 6833 of 2005 / Civil Appeal No. 6834 of 2005

PROPOSITION-SPECIFIC SOURCE PARAGRAPHS AND PDF PAGES

1.

Topic: Identity and fifteen appeals

Source url: [Open cited source](#)

Pdf pages: 1; 3

Paragraphs: Cover; jurisdiction; 1–2

Source role: reported metadata and judicial text

2.

Topic: Payment path, conduit claim and statutory obligation

Source url: [Open cited source](#)

Pdf pages: 3; 4; 5

Paragraphs: 2–6

Source role: judicial text

3.

Topic: Historical statutory quotation

Source url: [Open cited source](#)

Pdf pages: 5; 6; 7; 8

Paragraphs: 6

Source role: judicial text

4.

Topic: Specific liability, default and final result

Source url: [Open cited source](#)

PDF pages: 8; 9

Paragraphs: 7–9

Source role: judicial text

JUDICIAL AUTHORSHIP AND SEPARATE OPINIONS

S.H. Kapadia, J.

ACT IDENTIFIED IN THE REVIEWED SOURCE

Income-tax Act, 1961

SOURCE & VERIFICATION

Hon'ble Supreme Court source PDF (reported judgment)

Identified source rendition: 9 PDF pages; SHA-256

a65013c12f29e3b287312246485990e4c174829c49ddcf294bf4a0a2970641fd. Original bytes preserved.

Complete judicial paragraphs 1–9, physical pages 3–9/SCR 961–967, including the historical statutory quotation. Earlier headnote excluded; no adjacent judgment.

Open cited source rendition

The reported list contains fifteen appeals, 6820–6834/2005, printed in a non-sequential order. The same company is the respondent throughout; no year-by-year allocation is supplied.; Paragraph 2 recounts the company's claim that the entries appeared only in directors' accounts, while paragraph 7 identifies a company interest-account debit. The account-description dispute is preserved rather than silently treated as an agreed premise in the company's favour.; The reproduced section includes thresholds and exceptions with later dates, including a 2005 zero-coupon-bond provision, while the survey was on 6 December 1995. No assessment-year list or single governing historical statutory version is reconstructed from that extract.; Paragraph 8's criticism of Revenue delay did not alter the final allowance of its appeals or relieve the company of the established duty.

STATUTORY SCOPE

Current statutory equivalence and 2025 Act applicability have not been verified.

LATER TREATMENT

Source checked 2026-10-04. Comprehensive subsequent judicial and statutory treatment has not been verified. Only the expressly identified bounded comparisons have been checked. No current-law or Income-tax Act, 2025 mapping is certified.

IDENTIFIED SOURCE LINKS

reported judgment - PDF pages: 9

SHA-256: a65013c12f29e3b287312246485990e4c174829c49ddcf294bf4a0a2970641fd

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