

Assistant Commissioner of Income Tax, Ahmedabad v. Arvind Polycot Ltd.

Civil Appeal No. 1182 of 2008

[2008] 2 SCR 650 | 2008-02-08

Was interest on borrowings for capital assets not put to use during the concerned financial year deductible under section 36(1)(iii)?

36(1)(iii)

Two judges | S.H. Kapadia, J. | B. Sudershan Reddy, J.

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

Historical statutory setting: verify the applicable version

The interest answer applies Core Health Care, whose paragraph 11 expressly addresses law before 1 April 2004. The later proviso and the verified Finance Act, 2015 amendment must be considered separately; no assessment year is supplied in this primary. Comprehensive later treatment, current-law applicability and Income-tax Act, 2025 mapping remain not_verified.

01 FACTS OF THE CASE

The Department appealed from Gujarat High Court's judgment of 19 October 2005 in Tax Appeal No. 526 of 2003. The Supreme Court granted leave and identified a single question: the deductibility under section 36(1)(iii) of interest on borrowings for capital assets that had not been put to use in the concerned financial year (physical 1/SCR 650 G, appellate recital; physical 2/SCR 651 B-C, paragraphs 1-2).

The report supplies no assessment year, borrowing or interest amount, description of the particular capital assets, or separate account of the assessment and Tribunal orders. Those details cannot be filled from the facts of Core Health Care, although that decision supplies the governing reasoning.

Source: [reported judgment / paragraphs Appellate recital and paragraphs 1-2 / PDF pages 1, 2 / identity and judicial text](#)

02 DISCUSSION BY THE HON'BLE COURT

Kapadia J. treated the framed question as squarely covered by the Court's decision in Deputy Commissioner of Income Tax, Ahmedabad v. Core Health Care Ltd., identified as Civil Appeal Nos. 3952-3955 of 2002. Paragraph 3 adopts the answer in favour of the assessee; paragraph 4 applies it to this appeal. The Court did not order a factual remand or merely refuse special leave (physical 2/SCR 651 C-E).

The freshly read incorporated authority explains the historical basis: for borrowing in a running business, section 36(1)(iii) focused on business use of the borrowed capital, rather than first use of the acquired asset; the actual-cost rule in Explanation 8 to section 43(1) did not displace that deduction in the case before it. Core also distinguished borrowing before any business had commenced and expressly confined its interest ruling to law before 1 April 2004. That is the scope of the comparison, rather than an additional factual finding about Arvind Polycot (Core, physical 7-13/SCR 668-674, paragraphs 6-14).

Source: [reported judgment / paragraphs Paragraphs 2-4 / PDF pages 2 / judicial text](#); [bounded cited primary judgment / paragraphs Paragraphs 6-14; bounded incorporated reasoning / PDF pages 7, 8, 9, 10, 11, 12, 13 / judicial text](#)

03 JUDICIAL DECISION

The Court answered the sole section 36(1)(iii) question in favour of Arvind Polycot and against the Department, and dismissed the Department's civil appeal with no order as to costs (physical 2/SCR 651 D-E, paragraphs 3-4).

Source: [reported judgment / paragraphs Paragraphs 3-4 / PDF pages 2 / judicial text](#)

04 OUTCOME / IN WHOSE FAVOUR

In whose favour: Assessee, Arvind Polycot Ltd.

Revenue's single appeal dismissed

Substantive interest-deduction question answered by applying Core Health Care; no remand

Historical incorporated interest ruling; no assessment year or amount supplied, and no general permission to disregard later statutory restrictions.

Source: [reported judgment / paragraphs Paragraph 4 / PDF pages 2 / judicial text](#)

05 AKHB REVIEW POINT

Use this decision with the statutory version governing the claimed interest. Its concise disposition is a merits application of Core Health Care, but it does not restate that authority's important temporal boundary. Core paragraph 11 says the Finance Act, 2003 proviso operates prospectively from 1 April 2004 and was outside the appeal years before it; paragraph 7 nevertheless reproduces that later proviso in its statutory quotation (Core, physical 8 and 11-12). Do not take the quoted proviso as the text applied to the earlier years, or infer Arvind Polycot's year from Core.

A fresh official statutory check also confirms Finance Act, 2015 section 13(a) removed the proviso's restriction to extension of an existing business or profession from 1 April 2016. That amendment is a separate limit on extrapolation, not a ruling that this concluded appeal was reopened. For a live file, establish the year, business commencement, nature of borrowing and first-use dates, and read the then-applicable proviso independently. Comprehensive later treatment, current-law applicability and Income-tax Act, 2025 mapping remain not_verified.

Source: [bounded cited primary judgment / paragraphs Paragraphs 7 and 11; statutory quotation and historical limit / PDF pages 8, 11, 12 / judicial text; official statutory html / paragraphs Finance Act, 2015, section 13\(a\), effective 1 April 2016 / official statutory text](#)

DETAILED DISPOSITION AND CONNECTED GROUPS

Proceeding outcomes

1.

Case number: Civil Appeal No. 1182 of 2008

Outcome: Dismissed; sole question answered for the assessee

Costs: No order as to costs

ADDITIONAL STATUTORY CONTEXT, NOT SEPARATE HOLDINGS

Actual deduction of interest on borrowing for capital assets not put to use; the short opinion applies Core Health Care without setting out a separate statutory history.

JUDICIAL AUTHORSHIP AND SEPARATE OPINIONS

S.H. Kapadia, J.

ACT IDENTIFIED IN THE REVIEWED SOURCE

Income-tax Act, 1961

SPECIFIED LATER TREATMENT CHECKS AND THEIR LIMITS

1.

Authority: Finance Act, 2015, section 13(a)

Relationship: subsequent statutory amendment not judicial overruling

Result: Official enacted text states removal of the existing-business-extension restriction in the section 36(1)(iii) proviso from 1 April 2016.

Source pinpoints

1.

Source url: [Open cited source](#)

Paragraphs: Section 13 heading, Finance Acts/2015 identity, section 13(a)

Source role: official statutory text

Limit: Does not certify the complete amendment chain, present law, treatment of a particular later borrowing or any 2025-Act mapping.

OTHER STATUTORY PROVISIONS AND THEIR SEPARATE SCOPE

Section 43(1), Explanation 8, and the section 36(1)(iii) proviso: bounded Core Health Care comparison only; Finance Act, 2015, section 13(a): separately verified subsequent statutory limit

DATED OFFICIAL STATUTORY HTML COMPARISONS AND READING LIMITS

1.

Kind: official statutory html

Title: Income Tax Department Finance Act 2015, section 13: Amendment of section 36

Url: [Open cited source](#)

Accessed at: 2026-10-05T17:13:24+00:00

Review scope: Freshly reopened official HTML; page identity Finance Acts/2015, section 13 heading and enacted section 13(a) text with the stated 1 April 2016 commencement read. No PDF bytes/hash, full-Act authentication or complete current-law consolidation claimed.

SOURCE & VERIFICATION

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

Identified source rendition: 2 PDF pages; SHA-256
3bd39583890564ecbcd604ff44676b0f3618dbb1eb601bba0041ec860b3a6bdf. Original bytes preserved.

[Open cited source rendition](#)

full primary text read: True; all primary page images reviewed: True; source integrity verified: True; actual statutory scope verified: True; all listed proceedings accounted for: True; comprehensive later treatment verified: False; current law verified: False; mapping 2025 verified: False; independent QA complete: True; parent full prose approval: True

Printed SCR citation, date, bench and proceedings verified from the primary text and all primary images. Frozen catalogue INSC identifiers not independently authenticated in this review.

The editorial headnote labels its holding paragraph 2, but paragraph 2 frames the question; the judicial application and operative answer are paragraphs 3-4.; The two-page report gives no assessment year, interest amount, underlying asset description or detailed assessment history. Core Health Care's years, machinery and figures are not Arvind Polycot facts.; Core's separate remands and six-appeal disposal are not imported into this single dismissed appeal.; The section 36(1)(iii) proviso and Finance Act, 2015 check limit extrapolation; neither supplies a comprehensive current-law certificate.

No assessment year is printed in this primary. Years appearing in Core Health Care or other comparison authorities are not imported.

One Revenue appeal from Gujarat High Court judgment dated 19 October 2005 in Tax Appeal No. 526 of 2003; leave granted. No originating SLP number is supplied in this rendition.

STATUTORY SCOPE

No Income-tax Act, 2025 crosswalk or automatic carryover. Complete amendment history, commencement, savings and present applicability have not been verified.

LATER TREATMENT

Source checked 2026-10-05. Only specifically described primary comparisons and statutory limits are verified. Comprehensive later treatment, present applicability and 2025 mapping remain not_verified.

IDENTIFIED SOURCE LINKS

[reported judgment - PDF pages: 2](#)

SHA-256: 3bd39583890564ecbcd604ff44676b0f3618dbb1eb601bba0041ec860b3a6bdf

[bounded cited primary judgment - PDF pages: 14](#)

SHA-256: 252bbaadb5d29aa197dba2dbe92cda751c4bdb4158c168ca37fa1cab9313654b

[Income Tax Department Finance Act 2015, section 13: Amendment of section 36](#)

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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