

Commissioner of Income Tax, Baroda v. Ishwar Bhuvan Hotels Ltd., Baroda

Civil Appeal No. 2594 of 2006

[2008] 2 SCR 652 | 2008-02-08

Interest on capital-asset borrowing: application of Core Health Care.

Income-tax Act, 1961: section 36(1)(iii)

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

Assessment years: Not specified in this judgment

Historical holding; later proviso must be distinguished

The short judgment follows Core Health Care. Paragraph 11 of that precedent expressly confines its holding to law before 1 April 2004 and does not interpret the later proviso. Ishwar Bhuvan does not state its assessment year; no year is inferred here.

01 FACTS OF THE CASE

The Department appealed from the Gujarat High Court judgment dated 19 October 2005 in Tax Appeal No. 529 of 2003. The question was whether section 36(1)(iii) permitted deduction of interest on borrowings for capital assets that had not been put to use in the concerned financial year. The short Supreme Court judgment does not state the assessment year, borrowing amount or detailed business facts.

Source: [Paragraph 1 and jurisdiction recital; SCR p. 652 / PDF p. 1](#)

02 DISCUSSION BY THE HON'BLE COURT

The Court held the question squarely covered in the assessee's favour by its decision in Deputy Commissioner of Income Tax, Ahmedabad v. Core Health Care Ltd., Civil Appeal Nos. 3952-3955 of 2002. It supplied no additional independent factual analysis in this companion judgment. The temporal limits of the authority followed must therefore remain visible rather than treating the brief answer as a general deduction rule for all later years.

Source: [Paragraph 2; SCR p. 653 / PDF p. 2](#)

03 JUDICIAL DECISION

The question was answered in favour of the assessee and against the Department. The Department's civil appeal was dismissed, with no order as to costs. Unlike the separate Core Health Care appeal group, this order does not remit any additional questions.

Source: [Paragraph 3; SCR p. 653 / PDF p. 2](#)

04 OUTCOME / IN WHOSE FAVOUR

In favour of the assessee on the stated interest-deduction question. This separate appeal ended in dismissal of the Revenue's challenge; the mixed procedural result in Core Health Care should not be imported into its disposition.

Source: [Paragraphs 2-3; SCR p. 653 / PDF p. 2](#)

05 AKHB REVIEW POINT

AKHB analysis: identify the relevant assessment year and version of section 36(1)(iii) before relying on this companion judgment. Read the authority expressly followed, including its pre-1 April 2004 limitation and existing-business context. Do not infer missing assessment facts, or treat this short order as deciding the later proviso or every pre-use borrowing claim.

Source: [AKHB analysis based on paragraphs 1-3 / PDF pp. 1-2](#)

SOURCE & VERIFICATION

[Supreme Court Reports scan - public eSCR mirror](#)

Two-page SCR scan; complete judicial paragraphs 1-3 begin on PDF page 1 and conclude on page 2. A separate companion appeal following Core Health Care.

[Open cited source rendition](#)

Full judicial text and operative relief read. Original bytes match the SHA-256 in the supplied source reconciliation.

STATUTORY SCOPE

Apply the historical statutory text governing the decision. Current statutory applicability and Income-tax Act, 2025 equivalence have not been verified.

LATER TREATMENT

Source checked 2026-10-10. Full historical judgment checked. Comprehensive subsequent judicial treatment has not been verified; no current citator clearance is represented.

IDENTIFIED SOURCE LINKS

[Deputy Commissioner of Income Tax v. Core Health Care Ltd.](#)

[Related note: Deputy Commissioner of Income Tax, Ahmedabad v. M/s. Core Health Care Ltd.](#)

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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