The Commissioner of Income Tax, Kolhapur v. The Ratnakar Bank Ltd.

Civil Appeal Nos. 6088-6090 of 2008

[2008] 14 SCR 373 | 2008-10-13

Interest-tax: Government securities and remand to determine the source of interest.

Interest-tax Act, 1974: sections 2(7) and 4 | Income-tax Act, 1961: section 260A (procedural reference in judgment) | Interest-tax Act, 1974: section 24 (as stated in judgment)

2-judge bench | Dr. Arijit Pasayat, J. | Dr. Mukundakam Sharma, J.

Assessment years: Not specified in the judgment

Fact-finding direction; no final tax exemption

The Court did not finally find that the disputed interest arose solely from Government securities. It required the Tribunal to examine that question. The dismissal quoted from Corporation Bank is not the operative disposition of this appeal.

01 FACTS OF THE CASE

The Revenue challenged the Bombay High Court decision dated 4 December 2002 in appeals 1267, 1268 and 1347 of 2000. The Tribunal had held the bank's disputed interest not chargeable under section 2(7) of the Interest-tax Act, 1974, and the High Court upheld that result. The Revenue contended that interest on securities, bonds and debentures fell within chargeable interest. The bank supported the lower decisions. The parties disputed whether the interest in this case was earned solely from Government securities.

Source: Paragraphs 2-3 and 5; SCR pp. 374-376 / PDF pp. 2-4

02 DISCUSSION BY THE HON'BLE COURT

The Court reproduced Commissioner of Income Tax v. Corporation Bank, (2008) 166 Taxman 388, which distinguished loans and advances from investments or securities and addressed interest on dated Government securities. That earlier judgment agreed with the Bombay High Court decisions discussed there. In the present case, however, the Revenue disputed the bank's factual assertion about the source of the interest. The Court therefore made application of Corporation Bank conditional upon the Tribunal's factual examination.

Source: Paragraphs 4-5; SCR pp. 375-376 / PDF pp. 3-4

03 JUDICIAL DECISION

The Court directed the Tribunal to examine whether the interest involved was on Government securities. If so, Corporation Bank would apply; if the interest was not solely on Government securities, that ratio would not apply. The appeals were disposed of accordingly. The Court did not itself quantify taxable interest or finally adjudicate the disputed factual classification.

Source: Paragraphs 5-6; SCR p. 376 / PDF p. 4

04 OUTCOME / IN WHOSE FAVOUR

Neither party obtained a final determination of the disputed tax liability. The Revenue secured further factual examination by the Tribunal, while the bank retained the benefit of Corporation Bank if the stated factual condition was established. This is a remand/fact-finding outcome, not an unconditional Revenue recovery or bank exemption.

Source: Paragraphs 5-6; SCR p. 376 / PDF p. 4

05 AKHB REVIEW POINT

AKHB analysis: prepare an instrument-wise reconciliation of the disputed interest, separating dated Government securities from loans, advances and other investments. Support the classification with the instrument terms, investment register and interest ledger. Do not treat this order as automatically exempting all securities income, or as finally taxing every receipt outside the stated condition. Verify the relevant historical charging provisions and the eventual Tribunal order before relying on the result in another matter.

Source: AKHB analysis based on paragraphs 4-6; PDF pp. 3-4

SOURCE & VERIFICATION

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Full four-page SCR scan, pp. 373-376. Editorial headnote distinguished from the judgment, which begins on PDF page 2. No adjacent-case text used.

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STATUTORY SCOPE

The substantive issue concerns the Interest-tax Act, 1974. The Income-tax Act reference is procedural; this is not a ruling exempting interest from income tax. Present statutory applicability and any Income-tax Act, 2025 crosswalk are not determined.

LATER TREATMENT

Source checked 2026-10-09. The full historical judgment has been checked. Subsequent Tribunal proceedings and comprehensive later judicial treatment have not been verified; no current citator clearance is represented.

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