

Union of India through Director of Income Tax v. M/s. Tata Chemicals Ltd.

Civil Appeal No. 6301 of 2011 and connected proceedings (full list below)

[2014] 3 SCR 298 | 2014-02-26

Whether a resident deductor who paid tax pursuant to a section 195(2) order and obtained a refund after appeal under section 240 was entitled to section 244A interest, despite the absence of a section 156 demand notice, and from what date.

244A(1)(b) | 195(2) | 240

Two-judge bench | H. L. Dattu, J. | S. A. Bobde, J.

Assessment years: 1997-98

Interest on refunded tax, with historical rates to be checked

Tata Chemicals concerns statutory interest on an eligible resident deductor's refund of excess section 195 tax, running from tax-payment date. It does not award general interest on interest, compound interest or damages. The source prints differing rate passages; verify the applicable statutory version, delay exclusions and later treatment. No current-law or Income-tax Act, 2025 certification is given.

01 FACTS OF THE CASE

For AY 1997-98, the fertiliser manufacturer engaged technicians from a Danish company to oversee its newly commissioned plant. On its section 195(2) application, the officer directed 20% withholding on the payment, including expense reimbursements; the company deposited Rs.1,98,878. The Commissioner (Appeals) held that the reimbursements were not income for this deduction and directed refund of that portion. The company claimed the resulting Rs.22,005 refund with interest. The officer refunded tax but denied interest, relying on the deductor/assessee distinction, CBDT Circulars 769 and 790, and the absence of a section 156 demand. The Commissioner (Appeals) agreed; the Tribunal allowed interest under section 244A(1)(b), and the Bombay High Court dismissed Revenue's appeal. The Supreme Court considered the common refund-interest issue in 40 appeals concerning years from AY 1989-90 onward (paragraphs 2-11).

Source: [reported judgment](#) / [paragraphs 3-11](#) / [PDF pages 6, 7, 8, 9](#) / [judicial text](#)

02 DISCUSSION BY THE HON'BLE COURT

Section 244A supplies a substantive, non-discretionary statutory right to interest, with different commencement rules for its different classes of payment. The Court read the residual words in clause (b) broadly enough to give effect to the provision's compensatory purpose. Entitlement, rate and exclusions remain governed by the Act; paragraph 30 expressly notes exclusion of periods of delay attributable to the assessee (paragraphs 18-19 and 25-31).

Here the deposit was made under an order under section 195(2), paid over under section 200, and refunded as a consequence of appellate relief under section 240. The Court saw no reason to exclude a resident deductor from compensation for the Revenue's retention of the excess tax merely because payment had been made for the non-resident recipient. It discussed beneficial circulars and the breadth of section 240, but the result was an interest entitlement on this statutory refund, not a separate award of damages or compounded interest (paragraphs 29-38).

The commencement date was the date the tax was paid. Clause (a) did not supply a 1 April starting point for this deductor claim. The Explanation to clause (b), concerning payment pursuant to a section 156 demand, did not apply, but the opening residual words of clause (b) supported interest from payment (paragraph 39).

Source: [reported judgment / paragraphs 18-39 / PDF pages 14, 15, 16, 17, 18, 19, 20, 21, 22, 23, 24 / judicial text](#)

03 JUDICIAL DECISION

The resident deductor was entitled to refund of the excess tax deposited pursuant to section 195(2), together with interest from the date of payment of that tax. All 40 listed Revenue appeals were dismissed, without costs. The decision did not order interest on delayed interest, determine a compounded rate, or remand the cases (paragraphs 39-40).

Source: [reported judgment / paragraphs 39-40 / PDF pages 24 / judicial text](#)

04 OUTCOME / IN WHOSE FAVOUR

In whose favour: Resident deductors / respondent assessee

All 40 listed Revenue appeals dismissed; no order as to costs

Final merits decision on statutory interest entitlement and commencement date for the deductor refunds

The lead excess payment and refund entitlement were established. The live issue was interest, not a fresh adjudication of the Danish reimbursement's underlying taxability. No general interest-on-interest, damages or current-rate holding.

Source: [reported judgment / paragraphs Complete appeal list; 40 / PDF pages 4, 5, 24 / reported metadata and judicial text](#)

05 AKHB REVIEW POINT

Identify the claimant as deductor, the section 195(2) order and deposit date, the appellate refund direction, and any claimant-attributable delay. Do not substitute the ordinary 1 April rule for the payment-date rule decided here, or copy a historical rate without checking the version applicable to each period.

Keep this refund-of-tax issue separate from interest on statutory interest. The earlier three-judge Gujarat Fluoro Chemicals order of 18 September 2013, paragraphs 6-9, clarified that only statutory interest may be claimed and returned individual cases, including Tata's lead appeal, for decision by a two-judge bench. Tata then decided the deductor-refund question; it did not announce a general departure from that clarification. In a bounded later administrative check, CBDT Circular 11/2016, paragraphs 3-4, accepted interest under section 244A from tax-payment date for a resident deductor entitled to a section 195 refund, and told departmental officers not to pursue that issue in appeals. Neither comparison is a comprehensive later-treatment or current-law audit.

Source: [reported judgment / paragraphs 27, 29-39 / PDF pages 19, 20, 21, 22, 23, 24 / judicial text; reported judgment / paragraphs Appeal list; 1-9; especially 6-9 / PDF pages 2, 3, 4, 5 / reported metadata and judicial text; official circular / paragraphs Circular paragraphs 1-5 and signature / PDF pages 1, 2 / official circular](#)

APPEAL AND PROCEEDING NUMBERS

Civil Appeal No. 6301 of 2011 / Civil Appeal No. 2534 of 2012 / Civil Appeal No. 2535 of 2012 / Civil Appeal No. 2536 of 2012 / Civil Appeal No. 2537 of 2012 / Civil Appeal No. 2539 of 2012 / Civil Appeal No. 2540 of 2012 / Civil Appeal No. 2541 of 2012 / Civil Appeal No. 2542 of 2012 / Civil Appeal No. 2543 of 2012 / Civil Appeal No. 2944 of 2012 / Civil Appeal No. 2945 of 2012 / Civil Appeal No. 3445 of 2012 / Civil Appeal No. 3446 of 2012 / Civil Appeal No. 3508 of 2014 / Civil Appeal No. 3509 of 2014 / Civil Appeal No. 3510 of 2014 / Civil Appeal No. 3511 of 2014 / Civil Appeal No. 3512 of 2014 / Civil Appeal No. 5408 of 2012 / Civil Appeal No. 3513 of 2014 / Civil Appeal No. 3514 of 2014 / Civil Appeal No. 3515 of 2014 / Civil Appeal No. 3516 of 2014 / Civil Appeal No. 3517 of 2014 / Civil Appeal No. 3518 of 2014 / Civil Appeal No. 3519 of 2014 / Civil Appeal No. 3520 of 2014 / Civil Appeal No. 3521 of 2014 / Civil Appeal No. 3522 of 2014 / Civil Appeal No. 3523 of 2014 / Civil Appeal No. 3524 of 2014 / Civil Appeal No. 7596 of 2012 / Civil Appeal No. 2589 of 2013 / Civil Appeal No. 3525 of 2014 / Civil Appeal No. 3526 of 2014 / Civil Appeal No. 3527 of 2014 / Civil Appeal No. 7772 of 2012 / Civil Appeal No. 3436 of 2012 / Civil Appeal No. 3437 of 2012

DETAILED DISPOSITION AND CONNECTED GROUPS

Issue results

1.

Issue: Deductor entitlement

Result: The refund of excess tax deposited pursuant to section 195(2) carries statutory interest

In whose favour: Resident deductor

Pinpoints

1.

Source url: [Open cited source](#)

Pdf pages: 20; 21; 22; 23; 24

Paragraphs: 29-39

Source role: judicial text

2.

Issue: Start date and absence of demand notice

Result: Interest runs from payment of tax under the residual clause (b) approach; neither a clause (a) 1 April start nor the section 156 Explanation governs this payment

In whose favour: Resident deductor

Pinpoints

1.

Source url: [Open cited source](#)

Pdf pages: 24

Paragraphs: 39

Source role: judicial text

3.

Issue: Batch disposition

Result: All 40 civil appeals dismissed without costs

In whose favour: Respondent deductors / assessees

Pinpoints

1.

Source url: [Open cited source](#)

Pdf pages: 4; 5; 24

Paragraphs: Complete appeal list; 40

Source role: reported metadata and judicial text

4.

Issue: Interest on interest

Result: Not the issue adjudicated; no additional or compounded interest was awarded

In whose favour: Not decided in this order

Pinpoints

1.

Source url: [Open cited source](#)

Pdf pages: 6; 24

Paragraphs: 2; 39-40

Source role: judicial text

ADDITIONAL STATUTORY CONTEXT, NOT SEPARATE HOLDINGS

244A(1)(a); 244A(2); 156; 195(1); 200; 119; 214; 243; 244; 154; 260; 263; 273A

ACT IDENTIFIED IN THE REVIEWED SOURCE

Income-tax Act, 1961

SPECIFIED LATER SOURCES AND LIMITS OF THE CHECK

1.

Source title: CBDT Circular No. 11/2016

Source date: 2016-04-26

Source url: [Open cited source](#)

Checked scope: Complete two-page official circular, especially paragraphs 3-4 on physical page 1

Finding: Administrative acceptance of payment-date section 244A interest on eligible section 195 deductor refunds; no new departmental appeals on that issue and existing appeals not to be pressed

Limit: Administrative follow-up only; no comprehensive subsequent judicial or amendment check.

COMPARISON WITH THE SPECIFIED EARLIER AUTHORITY

Source title: Commissioner of Income Tax, Gujarat v. Gujarat Fluoro Chemicals

Decision date: 2013-09-18

Source url: [Open cited source](#)

Checked scope: All judicial paragraphs 1-9; particularly 6-9 on physical pages 4-5, plus docket list on page 2

Finding: Three-judge clarification separates statutory interest from a general claim to interest on statutory interest; the lead Tata appeal 6301/2011 appears in the group returned for independent decision.

Classification: Earlier contextual comparison, not a later-treatment finding

SOURCE & VERIFICATION

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

Identified source rendition: 24 PDF pages; SHA-256

c201eac227a04d118f6ae6b9e519e531aaec06e78a7c166a0772850014a1000d. Original bytes preserved.

Court order paragraphs 1-40 on physical pages 6-24 (SCR 303-321), fully read, including statutory extracts and circular discussion. Pages 1-5 and opening of page 6 contain editorial headnote, references, complete appeal list and appearances. No adjacent judgment.

[Open cited source rendition](#)

Paragraph 4 expressly identifies AY 1997-98 for the lead appeal. Paragraph 3 says all appeals concern assessment years commencing on or after 1 April 1989; it does not enumerate the companion years.

The reported rendition identifies the following Order of the Court; no individual author is named.

The controlling claim is statutory simple interest on a resident deductor's excess section 195 payment refunded after appeal under section 240. Historical predecessor sections and the wide phrase other proceedings supply context. No separate current rate or general interest-on-interest entitlement is certified.

The primary public URL/hash identifies the preserved SCR rendition, not a newly retrieved signed original. The order identifies no individual author.; Paragraph 18 prints one-half per cent per month, while paragraph 27 says one and a half per cent; paragraph 19 also recounts the historical introductory rate. These visibly different passages are not a reliable substitute for period-specific statutory rate verification. No rate is certified here.; Paragraph 39 first says the case does not fall under clause (a) or (b), then expressly relies on the residual opening words of clause (b) after excluding its section 156 Explanation. This note follows the whole reasoning and operative payment-date result, without silently changing the source wording.; Paragraphs 4-7 inconsistently render the dollar invoice and reimbursement amounts. The note uses the internally clear rupee deposit and refund figures and does not invent a corrected dollar invoice.; The 2013 Gujarat Fluoro Chemicals source is earlier, three-judge context and must not be described as later treatment of this 2014 order.

The jurisdiction pages list 40 civil appeals. Civil Appeal 6301/2011 supplies the lead facts; all listed appeals are dismissed by paragraph 40. The list skips 2538/2012, and no omitted number is invented. Individual SLP origins are not supplied in this rendition.

STATUTORY SCOPE

Historical Income-tax Act, 1961 provisions and relevant years only. No automatic mapping to the Income-tax Act, 2025.

LATER TREATMENT

Source checked 2026-10-04. No comprehensive later-treatment or present-law audit has been performed. Source-checked comparisons and their limits are separately identified below.

IDENTIFIED SOURCE LINKS

[reported judgment - PDF pages: 24](#)

SHA-256: c201eac227a04d118f6ae6b9e519e531aaec06e78a7c166a0772850014a1000d

[reported judgment - PDF pages: 5](#)

SHA-256: 775a7265d6c0a59b75e5999d7dd8e817981ae4a2da85450bf87293d962d985d8

[official circular - PDF pages: 2](#)

SHA-256: b8677babffb32da5474390ab114b80387721b493f964ccfa13537950b327efca

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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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