

Honda Siel Cars India Ltd. v. Commissioner of Income Tax, Ghaziabad

Civil Appeal No. 4918 of 2017 / Civil Appeal No. 4922 of 2017 / Civil Appeal No. 4921 of 2017 / Civil Appeal No. 4920 of 2017 / Civil Appeal No. 4919 of 2017

[2017] 6 SCR 1004 | 2017-06-09

Whether the US\$30.5 million lump-sum technical fee, payable in five equal annual instalments under the 21 May 1996 Technical Collaboration Agreement, was capital or revenue expenditure in the five assessment years before the Court.

Two-judge bench | A. K. Sikri, J. | Ashok Bhushan, J.

Assessment years: 1999-2000, 2001-02, 2002-03, 2003-04, 2005-06

New undertaking and disputed lump-sum technical fee

The capital-treatment ruling concerns the lump-sum technical fee under the integrated arrangements establishing this new undertaking. The separate 4% running royalty is not an independently analysed holding. The source inconsistently identifies the Delhi precedent it distinguishes; that identity and citation are not certified. Current law and comprehensive later treatment remain unverified.

Lump-sum technical fee and project-specific facts

This decision concerns the US\$30.5 million technical fee under the particular TCA and its role in creating a new car-manufacturing undertaking. It is not a blanket capitalisation rule for all recurring royalties or limited-use technology licences. Current law and later treatment remain unverified.

01 FACTS OF THE CASE

Honda Motors Company Ltd., Japan (HMCL), entered into a joint venture with the Indian collaborator in September 1995. The resulting assessee-company entered into a Technical Collaboration Agreement (TCA) with HMCL on 21 May 1996. It provided licensed technical information and assistance for automobile manufacture, a US\$30.5 million lump-sum fee in five equal annual instalments beginning in the third year of commercial production, and a separate 4% running royalty. Paragraph 3 identifies the dispute as the lump-sum technical fee (paragraphs 1-3; physical pages 6-7).

The TCA retained HMCL ownership of know-how, restricted transfer and disclosure, and limited use to the agreement term. It also dealt with renewal, stopping manufacture and use of technical information on termination, returning materials, and disposition of unsold products. Three contemporaneous memoranda concerned technicians, parts and manufacturing facilities; the assessee capitalised payments under those memoranda. The first-year revenue deduction was reopened under section 148, and the Assessing Officer treated the relevant payments as capital. CIT(A) agreed; the Tribunal reversed; the Allahabad High Court restored capital treatment. The assessee brought these five appeals (paragraphs 4-8 and 14-17; physical pages 7-18).

Source: [reported judgment / paragraphs 1-4; five assessment years, consideration, dispute and procedural history / PDF pages 6, 7 / judicial text](#); [reported judgment / paragraphs 6-16; agreement terms, accompanying memoranda and competing factual characterisations / PDF pages 8, 9, 10, 11, 12, 13, 14, 15, 16, 17 / judicial text](#)

02 DISCUSSION BY THE HON'BLE COURT

The Court accepted that the TCA granted a limited, non-transferable right to use HMCL technology and did not transfer proprietary ownership. The Tribunal had treated the three separate memoranda as the instruments for setting up manufacturing facilities and the TCA as only enabling manufacture of stock-in-trade. The High Court instead regarded the TCA itself as integral to establishing the new business. The Supreme Court identified that difference, rather than assuming that ownership had passed (paragraphs 13-17; physical pages 16-18).

For intangible know-how, the Court examined the advantage obtained, its intended use and duration, and the means of obtaining it. It discussed Ciba India and Alembic Chemical Works, including limited access to technology used to improve an existing business. Enduring benefit and once-for-all payment were guiding considerations, not inflexible statutory conditions; all commercially relevant circumstances had to be weighed. A limited-use licence could support revenue treatment, but that feature alone did not determine the result (paragraphs 18-21; physical pages 18-22).

Here there was no pre-existing automobile-manufacturing business to improve. The TCA was crucial to bringing the new undertaking into existence, encompassing technical information and practical assistance with the project. The finite term did not displace that conclusion: the Court considered the manufacture of products with HMCL assistance and the agreement to be effectively co-extensive, given renewal and termination provisions, cessation of manufacture and the licensor's control over residual products. Separate capitalisation under the other memoranda did not establish that the TCA fee was revenue expenditure. Payment of a lump sum in five instalments also did not change its character (paragraphs 22-24; physical pages 22-24).

The Court distinguished the Delhi High Court decision discussed in paragraph 25 because that agreement supported new models in an existing two/three-wheeler business, whereas the present TCA enabled a new car-manufacturing plant (physical page 24).

Source: [reported judgment / paragraphs 17-21; retained ownership, intangible know-how and flexible capital/revenue tests / PDF pages 18, 19, 20, 21, 22 / judicial text](#); [reported judgment / paragraphs 22-25; new business, co-extensive agreement and manufacturing life, memoranda, and distinction of Delhi decision / PDF pages 22, 23, 24 / judicial text](#)

03 JUDICIAL DECISION

The Court upheld capital treatment of the disputed technical-fee expenditure and dismissed all five assessee appeals with costs. It ordered no remand and granted no separate depreciation, amortisation or running-royalty relief (paragraphs 22-25; physical pages 22-24).

Source: [reported judgment / paragraphs 22-25 / PDF pages 22, 23, 24 / judicial text](#)

04 OUTCOME / IN WHOSE FAVOUR

In whose favour: Revenue

Civil Appeal Nos. 4918, 4922, 4921, 4920 and 4919 of 2017 dismissed with costs

Final capital-character determination of the disputed lump-sum technical fee across the five stated assessment years

Paragraph 3 identifies the US\$30.5 million technical fee as the issue. Do not convert the judgment's broader royalty terminology into a universal rule for every recurring royalty, limited-use licence, or payment under another agreement. No depreciation or amortisation entitlement is decided.

Source: [reported judgment / paragraphs 25; all appeals dismissed with cost / PDF pages 24 / judicial text](#)

05 AKHB REVIEW POINT

Review the whole transaction and what the disputed payment actually secured. Licence restrictions, retained ownership and annual instalments are relevant but cannot replace the inquiry whether the arrangement created a new profit-making undertaking or supported an existing business. Keep the lump-sum technical fee distinct from the separate running royalty and from machinery, parts and technician payments. The decision does not establish that every licence for a new business is necessarily capital: the Court expressly retained a fact-sensitive, multi-factor inquiry. Any deduction, capitalisation or depreciation analysis for another year requires the relevant statutory text and subsequent authorities to be checked.

Source: [reported judgment / paragraphs 2-3; distinct fee and running royalty / PDF pages 7 / judicial text; reported judgment / paragraphs 17-25; analytical factors and fact-specific application / PDF pages 18, 20, 21, 22, 23, 24 / judicial text](#)

DETAILED DISPOSITION AND CONNECTED GROUPS

Issue results

1.

Issue: Character of the US\$30.5 million lump-sum technical fee

Result: Capital expenditure; instalment payment and retained HMCL ownership did not displace the project-creation analysis

In whose favour: Revenue

Pinpoints

1.

Source url: [Open cited source](#)

Pdf pages: 22; 23; 24

Paragraphs: 22-25

Source role: judicial text

2.

Issue: Disposition of the five grouped appeals

Result: All five appeals dismissed with costs; no remand

In whose favour: Revenue

Pinpoints

1.

Source url: [Open cited source](#)

Pdf pages: 24

Paragraphs: 25

Source role: judicial text

ADDITIONAL STATUTORY CONTEXT, NOT SEPARATE HOLDINGS

148

JUDICIAL AUTHORSHIP AND SEPARATE OPINIONS

A. K. Sikri, J.

ACT IDENTIFIED IN THE REVIEWED SOURCE

Income-tax Act, 1961

SOURCE & VERIFICATION

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

Identified source rendition: 24 PDF pages; SHA-256

42802c8cefb0a81b206e932e1446e17b353282e4a1d8b35f52192cafd2dfb7c. Original bytes preserved.

Judgment paragraphs 1-25 begin on physical page 6 (SCR 1009) and end on physical page 24 (SCR 1027). Physical pages 1-5 and the upper part of page 6 contain reported metadata, editorial headnote, case references and appearances.

[Open cited source rendition](#)

Paragraph 1 supplies these five years for the five appeals collectively; the reported judgment does not map each appeal number to an individual assessment year.

The judicial reasons decide the capital/revenue character of technical-fee expenditure without naming section 37(1) or another substantive deduction provision. Section 148 appears only in the history of the first-year reassessment (paragraph 4); its jurisdictional validity is not adjudicated. No unexpressed numbered provision is treated as a separately decided holding.

The preserved eSCR-reported PDF from the public mirror is the source read; no independently retrieved signed-original hash is claimed.; The local source SHA-256, byte count and physical-page count match the consolidated source index. A fresh web-tool open of the public mirror URL failed during this pass, so present online availability is not certified.; Editorial headnotes are separated from judicial text. Paragraph and physical PDF-page pins refer to the reported judicial text, except identified metadata pins.; The source names the Indian collaborator inconsistently: SIEL in the title/headnote context, SEIL in paragraphs 2 and 6, and HSCIL, India in paragraph 22. The note does not infer a different corporate identity from those variants.; Paragraphs 11 and 25 describe a Delhi High Court decision as concerning the same assessee, while paragraph 11 supplies the name CIT v. Hero Honda Motors and the printed citation (2015) 327 ITR 481 (Delhi). The separate Delhi judgment and that citation have not been independently verified; this note preserves only the factual distinction the Supreme Court drew, not the asserted identity or citation as verified facts.; Contract and High Court passages quoted inside paragraphs 6 and 7 contain their own numbering. Pins to paragraphs 6-7 refer to the Supreme Court's outer paragraph sequence, not those embedded numbers.; The case-specific issue in paragraph 3 is the lump-sum technical fee. The judgment later uses technical fee and royalty terminology interchangeably; the separate 4% running royalty is not treated here as an independently analysed issue.

STATUTORY SCOPE

Historical assessment-year dispute under the Income-tax Act, 1961. No current-law certification or automatic mapping to the Income-tax Act, 2025.

LATER TREATMENT

Source checked 2026-10-04. No comprehensive subsequent-treatment audit has been performed. References to earlier authorities below describe their treatment within this judgment, not an independent cross-judgment verification.

IDENTIFIED SOURCE LINKS

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

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