

M/s. K. Lakshmanya and Company v. Commissioner of Income Tax & Anr.

Civil Appeal Nos. 4335–4366 of 2012 / Civil Appeal No. 5478 of 2013

[2017] 12 SCR 644 | 2017-11-01

Whether refund of interest lawfully waived by the Settlement Commission attracted statutory refund interest despite the waiver's discretionary origin.

244A(1)(b) | 240 | 245D(4)

Two-judge bench | R.F. Nariman, J. | Sanjay Kishan Kaul, J.

Assessment years: 1993-94, 1994-95

Statutory refund interest; no general compounding award

The holding recognises section 244A entitlement on the identified refund after lawful waiver. It remains subject to the statute and is not a universal interest-on-interest or extra-statutory compensation rule. Rates, periods and current settlement/refund procedure require separate verification.

01 FACTS OF THE CASE

The partnership firm had been charged interest under sections 234A to 234C for AYs 1993-94 and 1994-95. On 22 March 2000, the Settlement Commission partially waived it by applying a CBDT circular. The Assessing Officer declined interest on the resulting refund, reasoning that section 244A did not cover refunded interest and that the Commission's waiver power did not generate the claimed right (paragraphs 1–2).

The Commissioner (Appeals) and Tribunal accepted the claim. The High Court reversed on the view that a discretionary waiver produced no refund entitlement as a matter of right. The firm and connected appellants challenged that conclusion (paragraphs 3–5).

Source: [reported judgment](#) / [paragraphs 1–5](#) / [PDF pages 3, 4, 5](#) / [judicial text](#)

02 DISCUSSION BY THE HON'BLE COURT

An order under section 245D(4) was an order in other proceedings under the Act for section 240. More broadly, section 244A required a refund of any amount to become due under the Act; it was not confined to the earlier section 244 formulation. The Court placed this refund in section 244A(1)(b), outside the categories in clauses(a) and(aa) of the text reproduced (paragraphs 6–11).

The Court read the statutory amount as capable of including interest that became refundable. It drew on Needle Industries, Sandvik, H.E.G. and Tata Chemicals as discussed in the judgment to explain the compensatory purpose of statutory refund interest and the link between the refund obligation and the interest right. This was an application of the statutory entitlement, not a calculation of a separate equitable rate or an automatic compounding formula (paragraphs 12–17).

Ghaswala did not prevent the result. The Settlement Commission had no inherent power to waive statutory interest merely through procedural section 245D(6), but could apply a qualifying Board circular under section 119. Once that discretion had lawfully been exercised and the amount became refundable, a corresponding statutory right arose; the discretionary origin did not make the consequent refund optional (paragraphs 18–20).

Source: [reported judgment / paragraphs 6–20 / PDF pages 5, 6, 7, 8, 9, 10, 11 / judicial text](#)

03 JUDICIAL DECISION

The appeals were allowed and the High Court judgment was set aside. The Court approved the Commissioner (Appeals)/Tribunal view that the refund attracted interest under section 244A, subject to that section. It did not quantify the interest amount or prescribe a new rate or computation schedule (paragraphs 11 and 20–21).

Source: [reported judgment / paragraphs 20–21 / PDF pages 11 / judicial text](#)

04 OUTCOME / IN WHOSE FAVOUR

In whose favour: Assesseees

Appeals allowed; High Court judgment set aside; favourable statutory-interest conclusion restored

Final determination of entitlement on the refund caused by the lawful partial waiver

Subject to section 244A's applicable terms. Not an inherent Settlement Commission power to waive any interest, a universal compound-interest award, or a certification of current rates and limitation periods. No fresh numerical amount is awarded.

Source: [reported judgment / paragraphs 11 and 20–21 / PDF pages 8, 11 / judicial text](#)

05 AKHB REVIEW POINT

Identify the order that makes the refund due, what was paid, why the sum became refundable and the applicable statutory interest category. A discretionary step producing the refund is different from whether the resulting statutory refund obligation and interest right are discretionary. Document the actual order and payment/refund chronology before computing any claim.

Do not translate this into unrestricted interest on interest. The separately read Gujarat Fluoro Chemicals reference answer confines claims to interest provided by statute and sends each matter back for individual decision. Its reported schedule includes this appeal group, but Lakshmanya does not expressly discuss that order; the two texts are compared here editorially, not presented as an overruling. Lakshmanya's specific section 244A entitlement must be distinguished from a request for extra-statutory compensation.

Source: [reported judgment / paragraphs 7–11 and 17–21; editorial application / PDF pages 6, 7, 8, 10, 11 / judicial text; reported judgment / paragraphs Gujarat Fluoro schedule and paragraphs 6–9 / PDF pages 2, 4, 5 / judicial text](#)

ADDITIONAL STATUTORY CONTEXT, NOT SEPARATE HOLDINGS

234A; 234B; 234C; 119; 245D(6); 244: predecessor regime

JUDICIAL AUTHORSHIP AND SEPARATE OPINIONS

R.F. Nariman, J.

ACT IDENTIFIED IN THE REVIEWED SOURCE

Income-tax Act, 1961

SOURCE & VERIFICATION

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

Identified source rendition: 11 PDF pages; SHA-256

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Judicial paragraphs 1–21 on physical pages 3–11 (SCR 646–654); preceding headnote/reference material separated. Quotes from statutory/explanatory text, Needle, Sandvik, H.E.G., Tata Chemicals and Ghaswala kept distinct.

[Open cited source rendition](#)

These are the lead firm's years in paragraph 1; no companion-specific year mapping is supplied.

The complete 2012 list is contiguous when ordered; compressed here without adding any unlisted appeal. The 2013 appeal is separately included.

Paragraph 4 records counsel's references to predecessor section 241; the Court's own comparison in paragraphs 8–10 concerns section 244. The note does not silently adopt section 241 as the operative predecessor.; Paragraph 8 describes section 244 as extending through AY 1989–90, while the reproduced explanatory text in paragraph 10 says section 244A applies from AY 1989–90 and the older provisions cease then. The case concerns later AYs 1993–94/1994–95; no corrected historical boundary is inferred from the inconsistent recital.; The section 244A quotation includes clause(aa) and rate wording from a later version than the original assessment years. It is not a certified historical or current calculation table.; Quoted H.E.G. amounts, dates and 57-month period belong to that cited case, not this firm's computed refund.; The 2013 Gujarat Fluoro schedule includes CA 4335–4366/2012 and 5478/2013. The 2017 text does not expressly cite it; procedural overlap is recorded without inferring an express holding about that precedent.

STATUTORY SCOPE

Historical statutory/factual setting; current rates, procedure and Income-tax Act, 2025 mapping are not certified.

LATER TREATMENT

Source checked 2026-10-04. No comprehensive subsequent-treatment or current-law audit. Specifically read related sources are identified separately.

IDENTIFIED SOURCE LINKS

[reported judgment - PDF pages: 11](#)

SHA-256: 4fd5d1e87fad2587216c87f22498a29437787a625861af29341b49bd39c05f3d

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

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