

Maxopp Investment Ltd. v. Commissioner of Income Tax, New Delhi

Civil Appeal Nos. 104-109 of 2015 and connected proceedings (full list below)

[2018] 2 S.C.R. 783 | 2018-02-12

Whether holding shares to obtain controlling interest or as trading stock excludes expenditure from section 14A when exempt dividend is earned, and how apportionment, recorded dissatisfaction and the applicable Rule 8D period affect the connected appeals.

14A | 14A(1) | 14A(2) | 14A(3) | 10(34)

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

Assessment years: 2002-03

Historical section 14A decision; later statutory text requires a separate check

Apply this note to its stated assessment year and statutory version. Finance Act 2022 changed section 14A; the bounded official explanation below does not settle every issue of temporal reach. The dividend exemption, Rule 8D and section 94(7) provisions must be checked for the relevant year. Later treatment remains not verified, and no Income-tax Act, 2025 mapping is certified.

[paragraphs 10.1-10.5 and the two applicability statements / PDF pages 44](#)

01 FACTS OF THE CASE

Maxopp carried on finance, investment and dealing in shares and securities, with separate investment and trading portfolios. For AY 2002-03 it claimed that interest attributable to shares in Max India Ltd. was outside section 14A because the shares were held to acquire or retain control and dividend was incidental. Paragraph 5 records exempt dividend of Rs. 49,90,860 and an Assessing Officer's apportioned interest disallowance restricted to that amount. The CIT(A), Special Bench of the Tribunal and Delhi High Court rejected the controlling-purpose argument (paragraphs 5-9).

The batch also included State Bank of Patiala stock-in-trade cases, Avon Cycles' mixed-funds disallowance and Revenue appeals involving periods before Rule 8D. In the bank cases the AO applied apportionment and limited disallowance to exempt income, while the CIT(A) disallowed the whole expenditure. The Tribunal deleted the additions and the Punjab and Haryana High Court affirmed on a dominant-purpose approach (paragraphs 10, 18-26 and 42-43).

Source: [reported judgment / paragraphs 5-10; 18-26; 42-43 / PDF pages 7, 8, 9, 16, 17, 18, 19, 20, 21, 22, 23, 30, 31 / judgment](#)

02 DISCUSSION BY THE HON'BLE COURT

Section 14A disallows expenditure causally related to income excluded from total income; an unrelated business expense is not disallowed merely because the assessee also receives exempt income. The controlling-interest motive does not remove the need to apportion an expense attributable to exempt dividend. The Court approved the Delhi High Court's approach and rejected the dominant-purpose test (paragraphs 32-35).

Shares held as stock-in-trade are not categorically exempt from section 14A. Although trading profits are taxable and dividend is incidental, exempt dividend can attract the provision, with apportionment depending on the facts. CBDT Circular 18/2015 concerned the head under which banking securities income was assessed; it did not establish the dominant-purpose exemption claimed here. Nevertheless, in State Bank of Patiala the Court upheld the result on the facts: the CIT(A)'s wholesale disallowance was untenable, and Revenue's appeals failed despite rejection of the High Court's dominant-intention reasoning (paragraphs 36-40).

Under section 14A(2) read with Rule 8D, the AO must record dissatisfaction with the assessee's own apportionment, with regard to the accounts, the kind of assessee and the nature of borrowing. Rule-based computation is not an automatic substitute for examining the claim. Avon Cycles' appeal failed on its recorded mixed-funds finding and the application of apportionment. Certain Revenue appeals failed because Rule 8D could not be applied retrospectively, without examination of their other issues (paragraphs 41-43).

Source: [reported judgment / paragraphs 32-43 / PDF pages 26, 27, 28, 29, 30, 31 / judgment](#)

03 JUDICIAL DECISION

The taxpayer appeals listed in paragraph 44(a), including Maxopp and Avon Cycles, were dismissed. The Revenue appeals listed in paragraph 44(b), including State Bank of Patiala cases and specified pre-Rule-8D cases, were dismissed. The Revenue appeal arising from Diary No. 41203 of 2017, identified on the official caption as Civil Appeal No. 2793 of 2018, was expressly allowed. This is a mixed batch disposition, not a uniform victory for either side (paragraphs 35 and 40-44).

Source: [reported judgment / paragraphs 35; 40-44 / PDF pages 27, 28, 29, 30, 31 / judgment](#); [official signed judgment / paragraphs 44 / PDF pages 42 / judgment](#)

04 OUTCOME / IN WHOSE FAVOUR

In whose favour: Mixed across the connected appeals; Revenue succeeds against Maxopp and Avon Cycles and in the Diary No. 41203/2017 appeal, while the respondents succeed in the other listed Revenue appeals

Taxpayer appeal group dismissed; most Revenue appeals dismissed; Civil Appeal No. 2793 of 2018 arising from Diary No. 41203 of 2017 allowed

Final interpretation and appeal-specific disposition; some Revenue appeals fail on Rule 8D prospectivity alone

No dominant-purpose or universal stock-in-trade exclusion, no automatic Rule 8D computation, and no comprehensive AY-by-AY quantum ruling

Source: [official signed judgment / paragraphs Caption mapping; 44 / PDF pages 1, 2, 3, 42 / judgment](#)

05 AKHB REVIEW POINT

Separate eligibility for section 14A from computation. A strategic holding or trading-stock label cannot by itself defeat the provision, but neither permits disallowance of all expenditure. Identify the actual expense, its connection with exempt income, source of funds, the assessee's allocation and the AO's recorded reasons. Use the historical Rule 8D version for the relevant year. Do not turn the fact-specific State Bank of Patiala result into a blanket stock-in-trade exemption, or the Avon Cycles mixed-funds finding into a universal rule for every balance sheet.

Read the operative groups before describing who won: one Revenue appeal was allowed. The judgment concerns exempt dividends in its historical regime; it does not decide every no-exempt-income scenario or the later Finance Act 2022 text. The bounded circular check below is not a present-law or Income-tax Act, 2025 crosswalk.

Source: [reported judgment / paragraphs 32-44 / PDF pages 26, 27, 28, 29, 30, 31 / judgment](#)

APPEAL AND PROCEEDING NUMBERS

Civil Appeal Nos. 104-109 of 2015 / Civil Appeal Nos. 110-112 of 2015 / Civil Appeal Nos. 130, 1423, 115, 123 and 6590 of 2015 / Civil Appeal Nos. 3267 and 10096 of 2013 / Civil Appeal No. 8596 of 2014 / Civil Appeal No. 18019 of 2017 / Civil Appeal Nos. 1500, 1508, 1505, 1576, 1579, 1578, 1580, 1575, 2802, 2791, 2792, 1577, 2793 and 2794 of 2018

DETAILED DISPOSITION AND CONNECTED GROUPS

Appeal groups

1.

Appeals: Civil Appeal Nos. 104-109, 110-112, 130 and 1423 of 2015

Disposition: Dismissed

Appellants: Assesseees

2.

Appeals: Civil Appeal Nos. 3267 and 10096 of 2013; Civil Appeal No. 8596 of 2014; Civil Appeal No. 18019 of 2017; Civil Appeal Nos. 115, 123 and 6590 of 2015; Civil Appeal Nos. 1500, 1505, 1508, 1575, 1576, 1577, 1578, 1579, 1580, 2791, 2792, 2794 and 2802 of 2018

Disposition: Dismissed

Appellants: Revenue

Identification note: 2018 appeal numbers mapped from official caption pages 1-3 to the SLP/Diary identifiers in paragraph 44(b); paragraph 44(b) calls 19614 of 2013 a civil appeal although the caption identifies it as the SLP giving rise to Civil Appeal No. 1500 of 2018.

3.

Appeals: Civil Appeal No. 2793 of 2018, arising from SLP(C) No. 6687 of 2018 / Diary No. 41203 of 2017

Disposition: Allowed

Appellants: Revenue

Identification note: Official caption page 3 and operative paragraph 44(c); no separate party-specific reasons are supplied in that subparagraph.

RULES CONSIDERED

Income-tax Rules, 1962: Rule 8D, historical version including Rule 8D(2)(ii)

ADDITIONAL STATUTORY CONTEXT, NOT SEPARATE HOLDINGS

10(35); 10(15)(iv)(h); 36(1)(iii); 56; 57(iii); 80P(2)(a)(i); 143(3); 251; 260A

PROVISION-SPECIFIC SCOPE

1.

Act: Income-tax Act, 1961

Section: 14A(1); 10(34)

Role: Core exemption-related expense apportionment

Basis: Dominant-purpose rejection and stock-in-trade analysis, paragraphs 32-40.

2.

Act: Income-tax Act, 1961

Section: 14A(2)-(3)

Role: Satisfaction and computation framework

Basis: Historical text reproduced in paragraph 11; recorded dissatisfaction discussed in paragraph 41.

3.

Act: Income-tax Rules, 1962

Section: Rule 8D (historical version)

Role: Prescribed calculation and prospectivity

Basis: Paragraphs 12, 41-43; not assumed to be the version applicable in a later year.

JUDICIAL AUTHORSHIP AND SEPARATE OPINIONS

A. K. Sikri, J.

ACT IDENTIFIED IN THE REVIEWED SOURCE

Income-tax Act, 1961

LATER STATUTORY QUALIFICATION AND TEMPORAL LIMITS

Status: bounded official explanation verified not current law certificate

Summary: Circular 23/2022 explains that Finance Act 2022 inserted an Explanation to section 14A dealing with expenditure related to exempt income even when that income has not accrued, arisen or been received in the relevant previous year; it also added a non-obstante clause to section 14A(1). The circular states 1 April 2022 as the effective date for both amendments, while describing the Explanation as deemed always to have applied. This bounded check does not resolve judicial disputes about temporal reach, certify current law, or turn these historical judgments into rulings on the new text.

Source url: [Open cited source](#)

Paragraphs: 10.1-10.5 and the two applicability statements

Pdf pages: 44

SOURCE & VERIFICATION

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

Identified source rendition: 42 PDF pages; SHA-256

5681247920b4c2502c4af1146080bcfa23965fdaa047ddd13c65153c030e62f. Original bytes preserved.

One judgment, paragraphs 1-44 on physical pages 3-42, with caption on pages 1-3 and signatures/date on page 42.

Cover/case-number pages 1-3 and material reasoning/disposition pages 34-42 independently read; date and signatures checked on page 42. Not claimed as a second full read; cryptographic signature validity not tested.

[Open cited source rendition](#)

Full judicial text is paragraphs 1-44, reported PDF pages 5-31; preceding headnote is not the judgment.

Paragraph 32 says "includible" in one sentence even though its opening, closing sentences and paragraphs 34-35 concern expenditure related to excluded income; source is unchanged and the note follows the coherent holding.

Paragraph 5 gives total interest as Rs. 1,16,21,168, while paragraph 15 gives Rs. 1,61,21,168; no unqualified total-interest figure is adopted.

Paragraph 43 refers to years prior to 2007 when describing Rule 8D insertion, while paragraph 12 gives 24 March 2008. The note relies on prospectivity and flags the inconsistent date rather than treating 2007 as the insertion date.

Paragraph 44(b)'s 19614 of 2013 identifier is an SLP in the official caption, mapped to Civil Appeal No. 1500 of 2018. The expressly allowed Diary No. 41203/2017 appeal is preserved separately.

The AO's restriction to exempt income is part of the recited facts; this note does not present this batch as a separately reasoned universal disallowance-cap decision.

Reported citation verified on the cover. Catalogue neutral citation 2018INSC131 is not independently adopted.

AY 2002-03 is expressly given for the illustrative Maxopp facts in paragraphs 5 and 15. The judgment does not supply a complete appeal-by-appeal AY schedule for the connected batch; it includes pre-Rule-8D matters and other fact patterns. Do not assign AY 2002-03 to every appeal.

STATUTORY SCOPE

Historical section 14A(1) and exempt-dividend regime considered in the batch; sections 14A(2)-(3) and the original Rule 8D calculation reproduced as context. Paragraph 12 dates insertion of Rule 8D to 24 March 2008 and notes its prospective operation. The later Finance Act 2022 wording was not before the Court.

No automatic Income-tax Act, 2025 crosswalk, comprehensive later-treatment audit or present-law certification. The historical dividend exemption and Rule 8D texts must not be assumed to govern a different year.

LATER TREATMENT

Source checked 2026-10-04. Subsequent judicial treatment and statutory changes have not been comprehensively verified. The separately identified Finance Act 2022 explanation is a bounded check, not a citator or current-law certificate.

IDENTIFIED SOURCE LINKS

[official signed judgment - PDF pages: 42](#)

SHA-256: 5681247920b4c2502c4af1146080bcafa23965fdaa047ddd13c65153c030e62f

[reported judgment - PDF pages: 31](#)

SHA-256: 9b6655615b39601a3d24fd226c6687b73a8133e13e5d088af456d6c7050b946f

[official CBDT explanatory circular - PDF pages: 94](#)

SHA-256: 0588a574afe765a7eb2d17040698008625726dfb01dc50f3a2a3233b15710b24

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