

M/s US Technologies International Pvt. Ltd. v. The Commissioner of Income Tax

Civil Appeal No. 7934 of 2011 / Civil Appeal Nos. 1258-1260 of 2019

[2023] 4 S.C.R. 382 | 2023-04-10

Whether section 271C penalises the belated remittance of tax that has already been deducted at source, by treating that delay as a failure to deduct tax under section 271C(1)(a).

271C(1)(a) | 271C(1)(b) | 201(1A) | 276B

Two-judge bench | M. R. Shah, J. | C. T. Ravikumar, J.

Assessment years: 2003-04, 2010-11, 2011-12, 2012-13

01 FACTS OF THE CASE

In the lead appeal, a software-development company deducted Rs 1,10,41,898 as TDS on salaries, contract payments and other payments for AY 2003-04. It remitted Rs 38,94,687 in March 2003 and the balance of Rs 71,47,211 later; the delays ranged from five days to ten months. Following a survey, interest was levied under section 201(1A) and a penalty equal to the deducted TDS was imposed under section 271C. The Kerala High Court upheld the penalty. In the connected appeals for AYs 2010-11 to 2012-13, the Tribunal had deleted section 271C penalties after accepting reasonable cause for the late remittance, but the High Court restored the adverse position by following its earlier judgment. All the appeals concerned late payment after deduction, rather than a failure to deduct TDS.

Source: [reported judgment / paragraphs 1-3.2 / PDF pages 5, 6 / judgment](#)

02 DISCUSSION BY THE HON'BLE COURT

The Court construed section 271C strictly. Clause (1)(a) addresses failure to deduct the whole or part of tax required under Chapter XVII-B; its words cannot be extended to failure to deposit tax already deducted. The payment limb in clause (1)(b), in the statutory text considered by the Court, concerned the specified liabilities under section 115-O(2) and the second proviso to section 194B, which were not the defaults in these appeals. Parliament had separately provided consequences for late remittance: compensatory interest under section 201(1A) and possible prosecution under section 276B. The Court also read CBDT Circular No. 551 as supporting the statutory separation between non-deduction and non-payment after deduction. Because no section 271C penalty arose for the defaults before it, the Court found it unnecessary to decide the alternative reasonable-cause issue under section 273B.

Source: [reported judgment / paragraphs 7.1-7.9 / PDF pages 10, 11, 12, 13 / judgment](#); [reported judgment / paragraphs 8-9 / PDF pages 13, 14 / judgment](#)

03 JUDICIAL DECISION

Mere belated remittance of TDS after its deduction does not attract penalty under section 271C on the statutory provisions considered. All the assessee appeals were allowed, the impugned High Court judgments and orders were quashed and set aside, and the question of statutory interpretation was answered for the assessees. No costs were ordered.

Source: [reported judgment / paragraphs 8.1-10 / PDF pages 14, 15 / judgment](#)

04 OUTCOME / IN WHOSE FAVOUR

In whose favour: Assesseees

Civil Appeal 7934/2011 and Civil Appeals 1258-1260/2019 allowed; High Court judgments and orders set aside; no costs

The common section 271C penalty issue was finally decided; reasonable cause under section 273B was not decided

Relief concerns section 271C penalties for tax actually deducted and later remitted. It does not excuse non-deduction, decide the specified payment defaults in section 271C(1)(b), waive section 201(1A) interest, or determine guilt or immunity in any section 276B prosecution.

Source: [reported judgment / paragraphs 9-10 / PDF pages 14, 15 / judgment](#)

05 AKHB REVIEW POINT

Classify the default before arguing penalty: failure to deduct and delayed payment after deduction are different statutory events. Retain the deduction ledger, payroll or payment records, challans and date-wise reconciliation showing that the disputed tax was deducted and subsequently paid. For a legacy-year penalty, this judgment supplies a threshold objection under section 271C; a reasonable-cause defence under section 273B is a separate alternative that the Court did not need to decide. Independently examine interest and any prosecution under the provisions and procedural protections applicable to the relevant period.

Source: [reported judgment / paragraphs 7.6-9 / PDF pages 12, 13, 14 / judgment](#)

SOURCE & VERIFICATION

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

Identified source rendition: 15 PDF pages; SHA-256

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[Open cited source rendition](#)

All pinpoints refer to the supplied 15-page SCR rendition, with printed SCR pages 382-396. Judicial text begins at physical PDF p. 5 and ends at p. 15; the editorial headnotes on pp. 1-4 are not used as judicial authority.

The supplied judicial text contains apparent slips: paragraph 7.5 says section 271C(1)(a) shall be applicable despite identifying late remittance; the end of paragraph 8 says no penalty is envisaged for non-deduction. Neither isolated phrase is used to reverse the clear reasoning in paragraph 7.6 and operative holding in paragraphs 8.1-10. The source PDF is preserved unchanged.

The source describes Circular No. 551 as dated 23.01.1998. Its original date has not been independently verified for this note, so the date is not reproduced in the substantive summary.

The introductory narrative sometimes calls section 201(1A) interest penal and refers to interest/penalty under section 271C. The Court itself characterises section 201(1A) interest as compensatory in paragraph 7.8; the note separates interest from the section 271C penalty.

The authorities concerning the alternative section 273B defence appear in counsel submissions. The Supreme Court expressly left that question unnecessary in paragraph 9.

SCR citation, lead appeal, decision date and bench verified at physical PDF p. 1; connected appeals at p. 4. The corpus metadata also gives 2023 INSC 329, but that neutral citation is not printed in this supplied rendition and is not used as the verified citation.

AY 2003-04 belongs to Civil Appeal 7934/2011 (paragraph 2.1); AYs 2010-11, 2011-12 and 2012-13 belong to Civil Appeals 1258-1260/2019 (paragraph 3.1). The judgment does not allocate each of those three later years to an individual appeal number.

STATUTORY SCOPE

This note reviews the 1961 Act judgment and the historical provisions considered in it. No clause-level mapping to the Income-tax Act, 2025, later amendment audit or current-law certification has been undertaken.

LATER TREATMENT

Source checked 2026-10-04. Subsequent appeals, review proceedings, stays, reversals and later judicial treatment have not been comprehensively checked. This note is not a citator status certificate.

IDENTIFIED SOURCE LINKS

[reported judgment - PDF p. 1 - PDF pages: 15](#)

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