IN THE HIGH COURT FOR THE STATE OF TELANGANA AT HYDERABAD

MONDAY, THE TWENTY SECOND DAY OF DECEMBER
TWO THOUSAND AND TWENTY FIVE

PRESENT

THE HONOURABLE SRI JUSTICE P.SAM KOSHY
AND
THE HONOURABLE SRI JUSTICE SUDDALA CHALAPATHI RAO

Income Tax Tribunal Appeal No.588 of 2017

Income tax Appeal filed under Section 260A of the Income Tax Act, 1961 aggrieved by the order dated 16.11.2016 passed in ITA No.2040/Hyd/2011 on the file of the Income Tax Appellate Tribunal Hyderabad Benches 'A', Hyderabad.

Between:

Pr. Commissioner of Income Tax-2, Hyderabad.

...Appellant/Appellant.

AND

M/s. Patni Telecom Solutions Pvt., LTD., (Now known as M/s. IGATE Information Services P. Ltd.,) 5Q4A1, V Floor, Hi Tech City, Hyderabad-580081.

...Respondent/Respondent.

Counsel for the Appellant: Ms. J.Sunitha (Sr SC for Income Tax)

Counsel for the Respondent: Mr. M.Naga Deepak.

The Court made the following: JUDGMENT

IN THE HIGH COURT FOR THE STATE OF TELANGANA
AT HYDERABAD

THE HONOURABLE SRI JUSTICE P.SAM KOSHY

AND

THE HONOURABLE SRI JUSTICE SUDDALA CHALAPATHI RAO

INCOME TAX TRIBUNAL APPEAL No.588 of 2017

DATE OF JUDGMENT: 22.12.2025

Between :

Pr. Commissioner of Income Tax-2,
Hyderabad.

...Appellant

AND

M/s. Patni Telecom Solutions P Ltd.,
(now known as M/s. IGATE Information Services P. Ltd.),
5Q4A1, V Floor, Hi Tech City,
Hyderabad 580 081.

..Respondent

JUDGMENT: *(per the Hon'ble Sri Justice P.Sam Koshy)*

Heard Ms. J.Sunitha, learned Senior Standing Counsel for Income Tax Department appearing on behalf of the appellant; and Mr. M.Naga Deepak, learned counsel for the respondent / assessee.

2. The instant appeal has been filed by the Revenue under Section 260-A of the Income Tax Act, 1961 (for short 'the Act') assailing the order dated 16.11.2016, in I.T.A.No.2010/Hyd/2011,

passed by the Income Tax Appellate Tribunal, Hyderabad Bench 'A', Hyderabad (for short the 'ITAT'), for the assessment year 2007-08.

3. The question of law involved in the instant appeal is "whether the expenses specifically excluded from export turnover under explanation 2(iv) of Section 10A of the Act are also to be excluded from total turnover under Section 10A of the Act?"

4. The aforesaid question of law fell for consideration before the Hon'ble Supreme Court in **Commissioner of Income Tax, Central-III vs. HCL Technologies Ltd.**[1], wherein the Hon'ble Supreme Court has emphatically settled the issue holding that such expenses so incurred have to be excluded from part of the export turnover or total turnover.

5. Today when the matter is taken up for hearing, the learned counsel appearing on either side have produced before the Bench the Circular issued by the CBDT i.e. Circular No.4 of 2018, dated 14.08.2018, whereby the CBDT itself in the light of the judgment of the Hon'ble Supreme Court in **HCL Technologies Ltd.** (supra) have decided not to contest any appeals where the aforesaid

[1] 2018 6 SCC 709

question of law is involved. For ready reference, paragraph Nos.5, 6 and 7 of the Circular No.4 of 2018 are reproduced hereunder, viz.,

> *"5. The issue has been examined by the Board and it is clarified that freight, telecommunication charges and insurance expenses are to be excluded both from "export turnover" and "total turnover", while working out deduction admissible under section 10A of the Act to the extent they are attributable to the delivery of articles or things or computer outside India.*
>
> *6. Similarly, expenses incurred in foreign exchange for providing the technical services outside India are to be excluded from both "export turnover" and "total turnover" while computing deduction admissible under section 10A of the Act.*
>
> *Thus, all charges/expenses specified in Explanation 2(iv) to section 10A of the Act, are liable to be excluded from total turnover also for the purpose of computation of deduction u/s 10A of the Act.*
>
> *7. Accordingly, henceforth, appeals may not be filed by the Department on the above settled issue, and those already filed may be withdrawn/not pressed upon."*

6. In the teeth of the said observations made by the CBDT, the learned Senior Standing Counsel for Income Tax Department submits that the question of law involved in the instant appeal also

being squarely covered by the judgment of the Hon'ble Supreme Court in **HCL Technologies Ltd.** (supra) and also the Circular dated 14.08.2018, nothing further survives to be adjudicated.

7. Accordingly, the instant appeal stands disposed of. The question of law stands answered in favour of the assessee and against the Revenue.

8. As a sequel, miscellaneous petitions pending if any, shall stand closed. However, there shall be no order as to costs.

Sd/- K. SHYLESHI
JOINT REGISTRAR

//TRUE COPY//

SECTION OFFICER

To,

1. The Income Tax Appellate Tribunal Hyderabad Benches 'A', Hyderabad
2. The Commissioner of Income Tax (Appeals)-V, Hyderabad.
3. Income Tax Officer, Ward-16(2), Hyderabad.
4. One CC to Ms. J.Sunitha (Sr SC for Income Tax) [OPUC]
5. One CC to Mr. M.Naga Deepak, Advocate [OPUC]
6. Two CD Copies.

JCK/BA

HIGH COURT

DATED:22/12/2025

JUDGMENT:

ITTA.No.588 of 2017



Disposing of the I.T.T.A. without costs.

22/01/26
D.K