CASE LAWS
MAY-25

1. Bank of Rajasthan ltd. vs. CIT [2024] [SC]

Can the Interest paid by Banks for the Broken Period on purchase of securities be claimed as Revenue Expenditure?

Fact of the Case

↓

Bank used to treat broken period interest as Revenue Expenditure and used to set it off against Interest Income.

↓

Because Bank held Securities as Stock in Trade

↓

But CIT ne Revision Order pass kar diya u/s 263

↳ that this Interest will become part of Cost of Acquisition and will not be allowed as deduction.

Broken period Interest

Interest payment date

1.4.24 — 1.9.24 — 1.4.25

security purchased (1.9.24)

↓ Broken period.

↓

Jab Scheduled Bank security purchase karti hai betn Int. payment dates, It has to pay interest for Broken period.

Conclusion: Bank Securities ko 3 category me rakhta hai:-

- Available for Sale
- Held for Trading
- Held to Maturity

Available for Sale + Held for Trading → Stock in Trade

↓

Interest should be allowed as deduction

↓

Revenue Expense

Held to Maturity → long term Investment

↓

Not allowed as Revenue Expenditure

Since, in the above case, Securities are held as stock in trade
↓
The Interest Expenditure will be allowed as Revenue Expenditure

2. PCIT v/s Adadyn Technologies (P.) Ltd (2024) [SC]

Wheather Expense incurred by an Assessee towards
↓
Development of Software
↳ which was abandoned because of technological development
↓
can be claimed as Revenue Expenditure ?

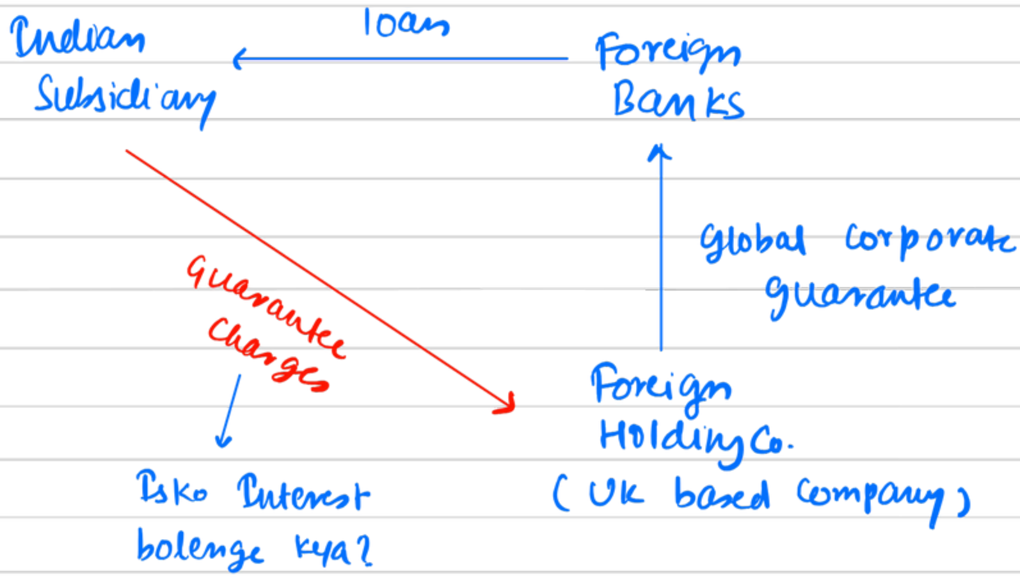
→ **Conclusion:**

Assessee ne 2 saal kharcha kiya to make software for its customers.
↓
But obsolete ho gaya because of technological development.
↓
So Assessee did not get any Enduring Benefit
↓
Therefore, the expenditure shall be treated as Revenue Expenditure

3. Johnson Matthey Public limited Company v/s CIT (2024)

Whether the amount paid as:

by Indian Subsidiary —"Guarantee Fees"→ Foreign Co.
↓
will fall within the definition of Interest ?



<u>Conclusion:-</u> The Word "Interest" does not take into its fold any payment made to Stranger to the Privity of loan Transactions

↳ though such payments have to be made incidentally in relation to such loan.

Jisse loan liya, usko payment karenge to Interest Bolenge, par third party ko pay karenge to usko Interest nahi bolenge.

High court held that it would not be treated as Interest