

IN THE INCOME TAX APPELLATE TRIBUNAL  
"I" BENCH, MUMBAIBEFORE SHRI PRASHANT MAHARISHI, AM  
AND  
SHRI SUNIL KUMAR SINGH, JM

ITA No. 2508/MUM/2024

A.Y.2023-24

Templeton Income Trust  
Templeton Global Bond Fund,  
300 SE, 2<sup>nd</sup> Street Fort  
Lauderdale, Florida-33301  
United States of America

Vs.

The DCIT,  
(International Taxation),  
Circle 4(1)(2),  
17<sup>th</sup> Floor  
Air India Building,  
Nariman Point,  
Mumbai-400021

(Appellant)

(Respondent)

PAN

AABTT 3867F

Assessee by  
Revenue by  
Date of hearing  
Date of pronouncementNone  
Shri Anil Sant Addl. CIT(DR)  
22<sup>nd</sup> July, 2024  
07<sup>th</sup> October, 2024O R D E RPER PRASHANT MAHARISHI, AM:

1. This appeal is filed by Templeton Income Trust Templeton Global Bond Fund [the assessee/appellant] for Assessment Year 2023 – 24 against the appellate order passed by the Commissioner of Income Tax (A) – 58, Mumbai [the learned CIT – A] dated 23/3/2024 for Assessment Year 2023 – 24 wherein the appeal filed by the assessee against the rectification order passed under section 154 of



the Income Tax Act, 1961 [the Act] dated 16/10/2023 passed by the Central Processing Centre, Bangalore [the learned AO], was dismissed.

2. Assessee is aggrieved with the above order and has raised solitary grievance against the liability to pay interest under section 234C of the act of Rs. 1,097,402/-.
3. Despite notice to the assessee appeared and therefore the issue is decided based on the merits of the case as per information available on record.
4. The learned Departmental Representative (DR) supported the order of the learned lower authorities.
5. Brief fact shows that assessee is a foreign trust registered under the laws of the United States of America and non-resident for tax purposes in India. It is registered with the securities and exchange board of India as a foreign portfolio investor under the regulations of securities and exchange board of India. Assessee undertakes portfolio investment in India in debt securities. Assessee filed its return of income on 27 July 2023 this is in taxable income of Rs. 1,712,694,350/-. The income was assessed by issue of assessment order under section 143 (1) of the Act. There is also no dispute with respect to the tax payable by the assessee. However according to the assessee there was no interest liability arising under section 234C of the Act whereas the intimation passed under section 143 (1) of the Act has created/raised an interest liability of Rs. 1,097,402/-. The assessee is

aggrieved with that and filed a rectification application on 16/10/2023 wherein such application was dismissed by an order dated 16 October 2023 itself holding that there is no error in raising the demand of interest under section 234C of the Act. Therefore, appeal was filed before the learned CIT - A. It was contested that on all the income of the assessee, tax was required to be deducted by the payer of the interest; therefore no interest is chargeable to tax in the hands of the assessee even though tax has not been deducted by the payer.

6. It was the claim of the assessee that interest income of Rs. 1,712,694,350/- received by the assessee from the government of India securities was liable for deduction of tax at source as per provisions of section 196D read with section 194LD of the Act, but no tax has been deducted by the payer. Therefore, on such income tax liability does not arise with respect to interest under section 234C of the act.
7. Provisions of explanation 1 to section 234C of the act provides as under:

<sup>78</sup>[<sup>79</sup>*Explanation 1*].—In this section, "tax due on the returned income" means the tax chargeable on the total income declared in the return of income furnished by the assessee for the assessment year commencing on the 1st day of April immediately following the financial year in which the advance tax is paid or payable, as reduced by the amount of,—

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|-----|---|
| (i) | any <b>tax deductible or collectible</b> at source in accordance with the provisions of Chapter XVII on any income which is subject to such deduction or collection and which is taken into account in computing such total income; |
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|--------------------|--|
| <sup>80</sup> (ia) | any relief of tax allowed under <a href="#">section 89</a> ;   |
| (ii)               | any relief of tax allowed under <a href="#">section 90</a> on account of tax paid in a country outside India;  |
| (iii)              | any relief of tax allowed under <a href="#">section 90A</a> on account of tax paid in a specified territory outside India referred to in that section;       |
| (iv)               | any deduction, from the Indian income-tax payable, allowed under <a href="#">section 91</a> , on account of tax paid in a country outside India; and         |
| (v)                | any tax credit allowed to be set off in accordance with the provisions of <a href="#">section 115JAA</a> <sup>81</sup> [or <a href="#">section 115JD</a> ].] |

8. According to that explanation for working out tax due on the return of income, any amount of income which is included in computation of tax on which tax is deductible is required to be excluded for the purpose of chargeability of interest under section 234C of the Act. Though the learned CIT – A has considered the provisions of section 209 (1) (d) of the Act but has forgot to look into the provisions of explanation 1 of section 234C of the Act. This is also contested by the assessee as per ground number 2 of the appeal.
9. The above provisions of section 234C and one half different than the provisions of section 234B of the Act which were considered by the honourable Supreme Court in case of Mitsubishi Corporation (supra). According to the provisions of explanation one of section 234B for the purpose of working out tax due, only amount of interest on which tax is deducted is to be considered as tax payment whereas in explanation 1 of section 234C, for working out the tax due on return income, even if the tax is not deductible but is deductible, same are required to



be excluded. Therefore, the decision of the honourable Supreme Court does not apply to the provisions of section 234C of the Act.

10. Thus, assessee cannot be charged interest under section 234C of Rs. 1,097,402/- and orders of the learned lower authorities are reversed and ground number 1 and 2 of the appeal of the assessee are allowed.
11. Accordingly the appeal of the assessee is allowed.

Order pronounced in the open court on 07/10/2024.

Sd/-

(SUNIL KUMAR SINGH)  
(JUDICIAL MEMBER)

Sd/-

(PRASHANT MAHARISHI)  
(ACCOUNTANT MEMBER)

Mumbai, Dated: 07.10.2024  
Dragon

Copy of the Order forwarded to :

The Appellant, The Respondent, The CIT, The DR ITAT & Guard File

BY ORDER,

Sr. Private Secretary/ Asst. Registrar  
Income Tax Appellate Tribunal, Mumbai