

An assessee is entitled to interest on tax refund even if it arises after adjustment of MAT credit

Summary – The High Court of Madras in a recent case of Aban Loyd Chiles Offshore Ltd., (the Assessee) held that an assessee is eligible for interest on refund arising out of MAT credit.

Facts

- The assessee was engaged in business of offshore oil well drilling. In respect of claim for MAT credit under section 115JAA, the Tribunal directed the Assessing Officer to give MAT credit before TDS and advance tax for the year under consideration.
- While giving effect to the order of the Tribunal, there was total tax liability of Rs. 2,06,96,452. The adjustment of MAT credit of Rs. 83,73,659 under section 115JAA leaves the tax payable at Rs. 1,23,22,793. After deducting TDS of Rs. 1,72,90,710 the Assessing Officer had shown the refund due as Rs. 49,67,917.
- The Assessing Officer pointed out that for the purpose of finding out the liability to payment of advance tax, the credit of MAT must first be given and then, on the balance of the tax payable, the liability to advance tax was to be worked out for the purpose of charging interest under sections 234B and 234C. The Assessing Officer also pointed out that since the tax deducted at source was exceeding the liability, the question of interest under sections 234B and 234C did not arise.
- On appeal, the Commissioner (Appeals) also rejected assessee's claim holding that MAT credit allowed would not bear any interest.
- On second appeal, the Tribunal held that once MAT credit was to be set off against any tax payable by the assessee on the basis of normal computation and thereafter credit for TDS, advance tax and self assessment tax could be given and accordingly, interest on refund claimed by the assessee was to be allowed.
- On appeal:

Held

- As is evident from the reading of the order of the Assessing Officer, the assessee became entitled to refund consequent upon the deduction given on MAT credit and the TDS.
- Thus, going by the factual details, the assessee is entitled to a refund of Rs. 49,67,917 and the deduction on TDS itself was before granting or charging any interest under any provisions. Hence, the proper course herein would be to remand the matter back to the Assessing Officer to work out interest on the refund payable to the assessee on the sum of Rs. 49,67,917 as ordered in the order of the Assistant Commissioner dated 28-2-2005 in accordance with section 244A.