

Sec. 234C interest to be computed considering date of presentation of cheque of tax payments & not its clearing date

Summary – The High Court of Madras in a recent case of REPCO Home Finance Ltd., (the Assessee) held that interest under section 234C was to be calculated based on date of presentation of cheque for payment of tax not on date of clearing of cheque

Facts

- The Assessing Officer charged a sum as interest under section 234C for late payment of advance tax.
- On appeal, the Commissioner (Appeals) held that the date of presentation of cheque should be treated as date of payment of tax and, if so considered, no interest under section 234C was to be charged.
- On cross appeal, the Tribunal confirmed the order passed by the Commissioner (Appeals) and dismissed the appeal.
- On appeal:

Held

- The core issue to be considered in this case is whether interest under section 234C is to be calculated based on date of clearing of the cheque or date of presentation of the cheque.
- The issue raised in this appeal is no longer *res integra* in view of the decision of the Supreme Court in *CIT v. Ogale Glass Works Ltd.* [\[1954\] 25 ITR 529](#), where it is held that the position, is that in one view of the matter an implied agreement under which the cheques were accepted unconditionally as payment and on another view, even if the cheques were taken conditionally, the cheques not having been dishonoured but having been cashed, the payment related back to the dates of the receipt of the cheques and in law that dates of payments were the dates of the delivery of the cheques.
- It is not the case of the department that the cheque issued by the assessee was dishonoured. Once the cheque issued by the assessee is encashed, in the light of the decisions referred (*supra*), the payment relates back to the date of receipt of the cheque.