

**LANDMARK DELHI HIGH COURT RULING ON MAT CREDIT: SECTION 115JAA IS ADVANCE TAX TO BE DEDUCTED BEFORE CALCULATING INTEREST**

This relates to latest Delhi High Court or "DHC" ruling disposing bunch of cases including that of Jindal Exports and Nestle India etc, in context of Minimum Alternate Tax (MAT) credit under section 115JAA of the Income Tax Act (Act) viz a viz chargeability of interest under section 234B/234C of the Act **and whether rectification under section 154 can be done for the same.**

In aforesaid connection, DHC while answering both the aforesaid questions in favor of assessee, has interalia concluded that:

- a) Interest under section 234B and section 234C of the Act, is to be charged after MAT credit available u/s 115JA is set off against tax payable on total income. That is, MAT credit as available for set off u/s 115JAA is in the nature of advance tax.
- b) Rectification u/s **154** of the Act **on aforesaid issue**, which is highly debatable, is **not tenable at law**.
- c) As held by DHC in Prannoy Roy 254 ITR 755 (which is since affirmed by SC), nature of interest levied u/s 234A, B, C is compensatory and all the three interests are of same genre.
- d) Term advance tax as defined in section 2 of the Act (definition clause) has to be interpreted purposively and contextually and same may cover any tax paid in advance of the "due date" albeit (even if) same do not fall under territory of chapter XVII-C of the Act.