(2007) 05 MP CK 0003

In the Madhya Pradesh High Court

United India Insurance Co. Ltd. APPELLANT

Vs

Janki Devi and Others RESPONDENT

Date of Decision : 01-05-2007

Acts Referred:
Income Tax Act, 1961 — Section 194A

Citation : (2009) ACJ 1937

Hon'ble Judges : Rajendra Menon, J

Bench : Single Bench

Final Decision : Allowed

Judgement

Rajendra Menon, J.—Challenging the order dated 8.7.2005 passed by Seventh Motor Accidents Claims Tribunal, Gwalior directing the insurance company to deposit the amount of T.D.S. deducted from the compensation payable to the claimants-respondents amounting to Rs. 12,800, the petitioner insurance company has filed this petition.

2. It is the case of petitioner that as tax on the interest of the awarded amount is liable to be paid after deduction of income tax u/s 194-A of Income Tax Act, insurance company deposited the amount after deducting a sum of Rs. 12,800 as tax on the interest amount. This deduction has been found to be illegal by the court below in the impugned order. Placing reliance on a judgment rendered by Gujarat High Court in the case of United India Insurance Co. Ltd. Vs. Mitaben Dharmeshbhai Shah and Others, and followed by this Court in the case of National Insurance Co. Ltd. v. Sunita Jain W.P. No. 939 of 2005; decided on 16.1.2006 (MP), Mr. Malhotra submits that deduction of interest amount made by the insurance company is proper. Therefore, learned Claims Tribunal has committed error in directing for payment of interest already deducted by the insurance company under the Income Tax Act.

3. Even though Mr. N.D. Singhal, learned Counsel for respondents supported the impugned order and submitted that for the reasons indicated in the order,

directions issued by the learned Claims Tribunal is proper, I am of the considered view that the aforesaid contention of Mr. N.D. Singhal cannot be accepted. The question of deduction of income tax u/s 194-A of the Income Tax Act from the amount of compensation to be paid has been considered and decided by Gujarat High Court in the case of United India Insurance Co. Ltd. Vs. Mitaben Dharmeshbhai Shah and Others, and it has been followed by this Court in National Insurance Co. Ltd. v. Sunita Jain W.P. No. 939 of 2005; decided on 16.1.2006 (MP). For the grounds and reasons indicated in the order dated 16.1.2006 passed by this Court in W.P. No. 939 of 2005 (supra), order passed by the learned Claims Tribunal directing the insurance company to pay a further sum of Rs. 12,800 deducted by way of T.D.S. is liable to be quashed.

4. Accordingly, this petition is allowed. Order impugned passed by the Claims Tribunal directing payment of further sum of Rs. 12,800 to the claimants by the insurance company is quashed.

5. Accordingly, petition stands allowed and disposed of with the aforesaid.