REPORTABLE

2024 INSC 389

IN THE SUPREME COURT OF INDIA

CIVIL APPELLATE JURISDICTION

CIVIL APPEAL NO. 7708 OF 2014

ALL INDIA BANK OFFICERS' CONFEDERATION ..... APPELLANT

VERSUS

THE REGIONAL MANAGER,
CENTRAL BANK OF INDIA, AND OTHERS ..... RESPONDENTS

WITH

CIVIL APPEAL NO. 18459 OF 2017

CIVIL APPEAL NO. 18460 OF 2017

CIVIL APPEAL NO. 18462 OF 2017

CIVIL APPEAL NO. 18463 OF 2017

CIVIL APPEAL NO. 18461 OF 2017

CIVIL APPEAL NO. 18464 OF 2017

CIVIL APPEAL NOS. 18465-18466 OF 2017

CIVIL APPEAL NOS. 18457-18458 OF 2017

AND

CIVIL APPEAL NO. 18467 OF 2017

J U D G M E N T

SANJIV KHANNA, J.

This common judgment decides the appeals filed by staff unions and officers' associations of various banks, impugning judgments which dismiss

their writ petitions, where the *vires* of Section 17(2)(viii) of the Income Tax Act, 1961[1] or Rule 3(7)(i) of the Income Tax Rules, 1962[2], or both, were challenged.

2. Section 17(2)(viii) of the Act includes in the definition of 'perquisites'[3], 'any other fringe benefit or amenity', 'as may be prescribed'.[4] Rule 3 of the Rules prescribes additional 'fringe benefits' or 'amenities', taxable as perquisites, pursuant to Section 17(2)(viii). It also prescribes the method of valuation of such perquisites for taxation purposes. Rule 3(7)(i) of the Rules stipulates that interest-free/concessional loan benefits provided by banks to bank employees shall be taxable as 'fringe benefits' or 'amenities' if the interest charged by the bank on such loans is lesser than the interest charged according to the Prime Lending Rate[5] of the State Bank of India[6].

3. Section 17(2)(viii) and Rule 3(7)(i) are challenged on the grounds of excessive and unguided delegation of essential legislative function to the Central Board of Direct Taxes[7]. Rule 3(7)(i) is also challenged as arbitrary and violative of Article 14 of the Constitution insofar as it treats the PLR of SBI as the

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[1] For short, "Act".
[2] For short, "Rules".
[3] Section 17(2) of the Act defines perquisites. It specifies a list of benefits/advantages, incidental to employment, and received in excess of salary, which are made taxable as perquisites. Section 17(2)(viii) is a residuary clause that authorizes a subordinate rule-making authority to prescribe 'any other fringe benefits or amenities' that are liable to taxation as 'perquisites'.
[4] Before amendments brought in by Finance (No.2) Act, 2009, with effect from 01.04.2010, Section 17(2)(vi) of the Act read: "*(vi) the value of any other fringe benefit or amenity (excluding the fringe benefits chargeable to tax under Chapter XIIH) as may be prescribed*". Post the amendment, Section 17(2)(viii), in effect contains the same stipulations as erstwhile Section 17(2)(vi), with some modifications. It states: "*(viii) the value of any other fringe benefit or amenity as may be prescribed.*" Thus, the present Section 17(2)(viii) contains similar stipulations as erstwhile Section 17(2)(vi), reference to Chapter XIIH only being deleted. To retain uniformity, we will be referring to it as Section 17(2)(viii).
[5] For short, "PLR".
[6] For short, "SBI".
[7] For short, "CBDT".

benchmark instead of the actual interest rate charged by the bank from a customer on a loan.

4. Sections 15 to 17 of the Act relate to income tax chargeable on salaries.

⇒ Section 15 stipulates incomes that are chargeable to income tax as 'salaries'.

⇒ Section 16 prescribes deductions allowable under 'salaries'.

⇒ Section 17 defines the expressions 'salary', 'perquisites' and 'profits in lieu of salary' for Sections 15 and 16.

5. Section 17(1) includes in the definition of 'salary': wages, annuity or pension, gratuity, fee, commission, perquisites, or profits in lieu of or in addition to salary or wages, advance of salary, payments received by an employee in respect of leave not availed, annual accretion to the balance at the credit of the employee participating in a recognised provident fund, etc.

6. Section 17(2) relates to 'perquisites' and reads:[8]

> "*(2) "Perquisite" includes—*
>
> *(i) the value of rent-free accommodation provided to the assessee by his employer computed in such manner as may be prescribed;*
>
> *(ii) the value of any accommodation provided to the assessee by his employer at a concessional rate.*
>
> *Explanation.— For the purposes of this sub-clause, it is clarified that accommodation shall be deemed to have been provided at a concessional rate, if the value of accommodation computed in such manner as may be prescribed, exceeds the rent recoverable from, or payable by, the assessee;*
>
> *(iii) the value of any benefit or amenity granted or provided free of cost or at concessional rate in any of the following cases—*

[8] Post 01.04.2010.

(a) by a company to an employee who is a director thereof;
(b) by a company to an employee being a person who has a substantial interest in the company;
(c) by any employer (including a company) to an employee to whom the provisions of paragraphs (a) and (b) of this sub-clause do not apply and whose income under the head "Salaries" (whether due from, or paid or allowed by, one or more employers), exclusive of the value of all benefits or amenities not provided for by way of monetary payment, exceeds fifty thousand rupees:

Explanation.—For the removal of doubts, it is hereby declared that the use of any vehicle provided by a company or an employer for journey by the assessee from his residence to his office or other place or work, or from such office or place to his residence, shall not be regarded as a benefit or amenity granted or provided to him free of cost or at concessional rate for the purposes of this sub-clause;

(iv) any sum paid by the employer in respect of any obligation which, but for such payment, would have been payable by the assessee; and

(v) any sum payable by the employer, whether directly or through a fund, other than a recognised provident fund or an approved superannuation fund or a Deposit-linked Insurance Fund established under Section 3-G of the Coal Mines Provident Fund and Miscellaneous Provisions Act, 1948 (46 of 1948), or, as the case may be, Section 6-C of the Employees' Provident Funds and Miscellaneous Provisions Act, 1952 (19 of 1952), to effect an assurance on the life of the assessee or to effect a contract for an annuity;

(vi) the value of any specified security or sweat equity shares allotted or transferred, directly or indirectly, by the employer, or former employer, free of cost or at concessional rate to the assessee.

Explanation.— For the purposes of this sub-clause,—
(a) "specified security" means the securities as defined in clause (h) of Section 2 of the Securities Contracts (Regulation) Act, 1956 (42 of 1956) and, where employees' stock option has been granted under any plan or scheme therefor, includes the securities offered under such plan or scheme;
(b) "sweat equity shares" means equity shares issued by a company to its employees or directors at a discount or for consideration other than cash for providing know-how or making available rights in the nature of intellectual property rights or value additions, by whatever name called;

(c) the value of any specified security or sweat equity shares shall be the fair market value of the specified security or sweat equity shares, as the case may be, on the date on which the option is exercised by the assessee as reduced by the amount actually paid by, or recovered from the assessee in respect of such security or shares;
(d) "fair market value" means the value determined in accordance with the method as may be prescribed;
(e) "option" means a right but not an obligation granted to an employee to apply for the specified security or sweat equity shares at a predetermined price;

(vii) the amount or the aggregate of amounts of any contribution made to the account of the assessee by the employer—
(a) in a recognised provident fund;
(b) in the scheme referred to in sub-section (1) of Section 80-CCD; and
(c) in an approved superannuation fund,
to the extent it exceeds seven lakh and fifty thousand rupees in a previous year;

(viia) the annual accretion by way of interest, dividend or any other amount of similar nature during the previous year to the balance at the credit of the fund or scheme referred to in sub-clause (vii) to the extent it relates to the contribution referred to in the said sub-clause which is included in total income under the said sub-clause in any previous year computed in such manner as may be prescribed; and

(viii) <u>the value of any other fringe benefit or amenity as may be prescribed:</u>

xx xx xx"

(emphasis supplied)

7. Rule 3(7)(i) of the Rules[9] reads:

"(7) In terms of provisions contained in Sub-Clause (vi) of Sub-Section (2) of Section 17,[10] the following other fringe benefits or amenities are hereby prescribed and the value thereof shall be determined in the manner provided hereunder:

(i) the value of the benefit to the assessee resulting from the provision of interest-free or concessional loan for any purpose made available to the employee or any member of

[9] As it stands after amendment *vide* Income Tax (First Amendment) Rules, 2004, with effect from 01.04.2004.
[10] See supra note 4.

his household during the relevant previous year by the employer or any person on his behalf shall be determined as the sum equal to the simple interest computed at the rate charged per annum by the State Bank of India Act, 1955 (23 of 1955), as on the 1st day of the relevant previous year in respect of loans for the same purpose advanced by it on the maximum outstanding monthly balance as reduced by the interest, if any, actually paid by him or any such member of his household.

However, no value would be charged if such loans are made available for medical treatment in respect of diseases specified in Rule 3A of these Rules or where the amount of loans are petty not exceeding in the aggregate of Rs.20,000:

Provided that where the benefits relates to the loans made available for medical treatment referred to above, the exemption so provided shall not apply to so much of the loan as has been reimbursed to the employee under any medical insurance scheme." [11]

8. Section 17(1), provides a broad and inclusive definition of 'salary'. It states that salary, *inter alia*, includes wages as well as other payments paid to employees like perquisites. Thus, perquisites paid by the employer to the employee are taxable as 'salary'.

9. 'Perquisite' has been defined in Section 17(2) for clarity, and also, to include and widen its scope. Clauses (i) to (viiia) to Section 17(2) make the following taxable as 'perquisites':

⇒ Clause (i) - rent-free accommodation by employer.

⇒ Clause (ii) - accommodation at a concessional rate by employer.

⇒ Clause (iii) - benefit of amenity provided free of cost/at a concessional rate, in specified cases.

[11] It is relevant to state here that the appellants have not challenged Rule 3(7)(i) as it existed for the period 01.04.2001 to 31.03.2004, that is, prior to the amendment *vide* the Income Tax (First Amendment) Rules, 2004, with effect from 01.04.2004. We are thus referring to the said Rule.

⇒ Clause (iv) - sum paid by the employer for an obligation.

⇒ Clause (v) – sum payable by the employer through a fund (barring specified exceptions) to effect an assurance on the life of the assessee or to effect a contract for annuity.

⇒ Clause (vi) – specified security or sweat equity shares allotted/transferred by employer at concessional rate/free of cost.

⇒ Clause (vii) – specified amounts contributed to assessees' account by employer such as provident fund, superannuation fund etc.

⇒ Clause (viia) – annual accretion by way of interest, dividend or other similar amounts with respect to clause (vii).

10. After specifically stipulating what is included and taxed as 'perquisite', clause (viii) to Section 17(2), as a residuary clause, deliberately and intentionally leaves it to the rule-making authority to tax 'any other fringe benefit or amenity' by promulgating a rule. The residuary clause is enacted to capture and tax any other 'fringe benefit or amenity' within the ambit of 'perquisites', not already covered by clauses (i) to (viia) to Section 17(2).

11. In terms of the power conferred under Section 17(2)(viii), CBDT has enacted Rule 3(7)(i) of the Rules. Rule 3(7)(i) states that interest-free/concessional loan made available to an employee or a member of his household by the employer or any person on his behalf, for any purpose, shall be determined as the sum equal to interest computed at the rate charged per annum by SBI, as on the first date of the relevant previous year in respect of loans for the same purpose advanced by it on the maximum outstanding monthly balance as reduced by interest, if any, actually paid. However, the loans made available for medical

treatment in respect of diseases specified in Rule 3A or loans whose value in aggregate does not exceed Rs.20,000/- , are not chargeable.

12. The effect of the rule is twofold. First, the value of interest-free or concessional loans is to be treated as 'other fringe benefit or amenity' for the purpose of Section 17(2)(viii) and, therefore, taxable as a 'perquisite'. Secondly, it prescribes the method of valuation of the interest-free/concessional loan for the purposes of taxation.

13. While enacting laws, the legislature can and does delineate the meaning of terms through explicit definitions. Specific meanings are assigned for precision, to distinguish words/expressions from loose or popular meanings, expand or restrict the scope of words or expressions, or to designate 'terms of art', that is, words or phrases with specialized meanings. Explicit definitions are useful, but it is wrong to state that all words or expressions must be explicitly defined. Defining each word or expression that is part of normal or commercial vocabulary is neither possible nor expedient. It would be a superfluous exercise, and make statutes voluminous. Instead, popular meaning makes the statute simpler and easier for the common people. After all, it is the common person who is concerned with the ramifications of a statute, and thus, the common man's understanding is the definitive index of the legislative intent. The reason is simple. The legislature is assumed to be aware of the well-understood meaning attributed to the word/expression, and by necessary implication the legislature by not prescribing a fixed and exact definition, ascribes the prevalent meaning assigned to the word/expression in common parlance or commercial usage. This would include meaning assigned to technical words in a particular trade, business or profession, etc. when the

legislation is concerning a particular trade, business or transaction. This rule equally applies to construing words or expressions in a taxation statute.

14. In the present case, Section 17(2(viii) is a residuary clause, enacted to provide flexibility. Since it is enacted as an enabling catch-within-domain provision, the residuary clause is not iron-cast and exacting. A more pragmatic and commonsensical approach can be adopted by locating the prevalent meaning of 'perquisites' in common parlance and commercial usage.

15. The expression 'perquisite' is well-understood by a common person who is conversant with the subject matter of a taxing statute. New International Webster's Comprehensive Dictionary defines 'perquisites' as any incidental profit from service beyond salary or wages; hence, any privilege or benefit claimed due.[12] 'Fringe benefit' is defined as any of the various benefits received from an employer apart from salary, such as insurance, pension, vacation, etc. Similarly, Black's Law Dictionary defines 'fringe benefit' as a benefit (other than direct salary or compensation) received by an employee from the employer, such as insurance, a company car, or a tuition allowance.[13] The Major Law Lexicon has elaborately defined the words 'perquisite' and 'fringe benefit'.[14]

16. 'Perquisites' has also been interpreted as an expression of common parlance in several decisions of this Court. For example, 'perquisite' was interpreted in ***Arun Kumar*** v. ***Union of India***[15], with respect to Section 17(2) of the Act. The

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[12] The New International Webster's Comprehensive Dictionary, p.941.
[13] Black's Law Dictionary, p.188 (10th Edition).
[14] Perquisite means something gained by a place or office beyond the regular salary or fee. It is a gain or profit incidentally made from employment. P. Ramanatha Aiyar The Major Law Lexicon, Vol. 5, p. 5059-5069 (4th Edition).
Fringe benefit is a term embracing a variety of employees' benefits, paid by the employers and supplementing the workers' basic wage or salary. P. Ramanatha Aiyarm The Major Law Lexicon, Vol. 3 (4th Edition).
[15] (2007) 1 SCC 732.

Court referenced its dictionary meanings and held that 'perquisites' were a privilege, gain or profit incidental to employment and in addition to regular salary or wages. This decision refers to the observations of the House of Lords in ***Owen*** v. ***Pook***[16], where the House observed that 'perquisite' has a known normal meaning, namely, a personal advantage. However, the perquisites do not mean the mere reimbursement of a necessary disbursement. Reference was also made to ***Rendell*** v. ***Went***[17], wherein the House held that 'perquisite' would include any benefit or advantage, having a monetary value, which a holder of an office derives from the employer's spending on his behalf.

17. Similarly, in ***Additional Commissioner of Income Tax*** v. ***Bharat V. Patel***[18], this Court held that 'perquisite', in the common parlance relates to any perk or benefit attached to an employee or position besides salary or remuneration. It usually includes non-cash benefits given by the employer to the employee in addition to the entitled salary or remuneration.

18. Thus, 'perquisite' is a fringe benefit attached to the post held by the employee unlike 'profit in lieu of salary', which is a reward or recompense for past or future service. It is incidental to employment and in excess of or in addition to the salary. It is an advantage or benefit given because of employment, which otherwise would not be available.

19. From this perspective, the employer's grant of interest-free loans or loans at a concessional rate will certainly qualify as a 'fringe benefit' and 'perquisite', as understood through its natural usage in common parlance.

[16] (1969) 2 WLR 775 (HL).
[17] (1964) 1 WLR 650 (HL).
[18] (2018) 15 SCC 670.

20. Two issues arise for consideration now: (I) Does Section 17(2)(viii) and/or Rule 3(7)(i) lead to a delegation of the 'essential legislative function' to the CBDT?; and (II) Is Rule 3(7)(i) arbitrary and violative of Article 14 of the Constitution insofar as it treats the PLR of SBI as the benchmark?

I. Does Section 17(2)(viii) and/or Rule 3(7)(i) lead to a delegation of the 'essential legislative function' to the CBDT?

21. A Constitution Bench of Seven Judges of this Court in ***Municipal Corporation of Delhi*** v. ***Birla Cotton, Spinning and Weaving Mills, Delhi and Another***[19], has held that the legislature must retain with itself the essential legislative function. 'Essential legislative function' means the determination of the legislative policy and its formulation as a binding rule of conduct. Therefore, once the legislature declares the legislative policy and lays down the standard through legislation, it can leave the remainder of the task to subordinate legislation. In such cases, the subordinate legislation is ancillary to the primary statute. It aligns with the framework of the primary legislation as long as it is made consistent with it, without exceeding the limits of policy and standards stipulated by the primary legislation. The test, therefore, is whether the primary legislation has stated with sufficient clarity, the legislative policy and the standards that are binding on subordinate authorities who frame the delegated legislation.

22. In our opinion, the subordinate authority's power under Section 17(2)(viii), to prescribe 'any other fringe benefit or amenity' as perquisite is not boundless. It is demarcated by the language of Section 17 of the Act. Anything made taxable by the rule-making authority under Section 17(2)(viii) should be a 'perquisite'

[19] (1968) SCC OnLine SC 13.

in the form of 'fringe benefits or amenity'. In our opinion, the provision clearly reflects the legislative policy and gives express guidance to the rule-making authority.

23. Section 17(2) provides an 'inclusive' definition of 'perquisites'. Section 17(2)(i) to (vii)/(viia) provides for certain specific categories of perquisites. However, these are not the only kind of perquisites. Section 17(2)(viii) provides a residuary clause that includes 'any other fringe benefits or amenities' within the definition of 'perquisites', as prescribed from time to time. The express delineation does not take away the power of the legislature, as the plenary body, to delegate the rule-making authority to subordinate authorities, to bring within the ambit of 'perquisites' any other 'fringe benefit' or annuities' as 'perquisite'. The legislative intent, policy and guidance is drawn and defined. Pursuant to such demarcated delegation, Rule 3(7)(i) prescribes interest-free/loans at concessional rates as a 'fringe benefit' or 'amenity', taxable as 'perquisites'. This becomes clear once we view the analysis undertaken in ***Birla Cotton 7J*** (supra) *viz*. the 'essential legislative function' test.

24. ***Birla Cotton 7J*** (supra) refers to ***In Re.: The Delhi Laws Act 1912***[20], wherein this Court held that an unlimited right of delegation is not inherent in the legislative power itself. The legitimacy of delegation depends upon its usage as an ancillary measure, which the legislature considers necessary for the complete and effective exercise of legislative powers. Provided that the legislative policy is enunciated with sufficient clearness or a standard is laid down, the courts should not interfere with the discretion that undoubtedly rests

[20] 1951 SCC 568.

with the legislature itself in determining the extent of delegation necessary in a particular case.

25. ***Birla Cotton 7J*** (supra) refers to ***Raj Narain Singh*** v. ***Chairman, Patna Administration Committee***[21], wherein this Court held that an executive authority can be authorised by a statute to modify either existing or future laws but not in any essential feature. What constitutes an essential feature cannot be enunciated in exact terms. However, it was held that modification could not include a change in policy, since the 'essential legislative function' consists of the determination of legislative policy and its formulation as a binding rule of conduct. In the context of Section 17(2)(viii) and Rule 3(7)(i), we are of the opinion that main legislation does not fall foul of the essential feature test. They do not modify an essential feature nor do they violate the condition of determining legislative policy or a binding rule of conduct.

26. ***Birla Cotton 7J*** (supra) also refers to ***Hari Shankar Bagla*** v. ***State of Madhya Pradesh***[22], where the majority held that the legislature must declare the policy of law and legal principles which are to control any given cases and thereby provide a standard of guidance to the executive, empowered to execute laws.

27. In ***Western India Theatres Limited*** v. ***Municipal Corporation of the City of Poona***[23], referred by ***Birla Cotton 7J*** (supra), the issue related to the power of the municipality to levy "*any other tax to the nature and object of which the approval of the Governor-in-Council shall have been obtained prior to the selection contemplated*". The delegated legislation was upheld on the ground

[21] (1955) 1 SCR 290.
[22] (1955) 1 SCR 380.
[23] AIR 1959 SC 586.

that municipality was authorised by the principal enactment to impose the tax. The enactment defined the obligations and functions cast upon the municipality. The taxes could only be levied for implementing those specific purposes and not for any other purpose. Further, the section in the enactment laid down the procedure that the municipality had to follow for imposing the tax. Thus, the legislature had not abdicated its function in favour of the municipality. Same is true in the present case.

28. In ***Birla Cotton 7J*** (supra), the assessee had challenged a resolution passed by the municipal corporation to levy three taxes, including a levy of tax on consumption or sale of electricity. The challenge was that the levy of tax by the Corporation was by way of excessive delegation and was therefore *ultra vires*. This Court relied upon the judgment in ***Pandit Banarsi Das Bhanot*** *v.* ***State of Madhya Pradesh***[24]*,* to uphold the levy. In ***Pandit Banarsi*** (supra), this Court had observed that a delegated legislation is not unconstitutional when the legislature leaves it to the executive to determine details relating to the working of taxation laws, such as selection of persons on whom the tax has to be levied, the rates at which it is to be charged in respect of different classes of goods and the like. The principal legislature, it was held, has not given unqualified power to fix the rate of tax without guidance, control or safeguard.

29. ***Pandit Banarsi Das*** (supra) also refers to ***Powell*** v. ***Apollo Candle Company Ltd.***[25] which had upheld the power of delegation to levy duties by observing that there was complete guidance in the manner of fixing the rate of duty and

[24] 1959 SCR 427.
[25] 8 AC 282.

finally the order passed by the Governor had to be laid before both Houses of the Parliament without unnecessary delay.

30. In ***Devidas Gopal Krishnan*** v. ***State of Punjab***[26], this Court distinguished its earlier decision in ***Corporation of Calcutta*** v. ***Liberty Cinema***[27] where the majority upheld the fixation of tax on cinema shows, albeit the Calcutta Municipal Act, 1951 had failed to prescribe a limit to which tax could go. The majority in ***Liberty Cinema*** (supra) had referred to ***Pandit Banarsi Das*** (supra) and held that there is no in-principle distinction between delegation of power to fix rates of taxes to be charged on different classes of goods and power to fix rates simpliciter; if power to fix rates in some cases can be delegated then equally the power to fix rates generally can be delegated. The Court held that if the power to decide who is to pay the tax is not an essential part of legislation, neither would the power to decide the rate of tax be so. The Court thus held that fixation of tax rate was not unqualified as the legislature had stipulated the maximum rate. The guidance rule was held as satisfied.

31. We are of the opinion that the enactment of subordinate legislation for levying tax on interest free/concessional loans as a fringe benefit is within the rule-making power under Section 17(2)(viii) of the Act. Section 17(2)(viii) itself, and the enactment of Rule 3(7)(i) is not a case of excessive delegation and falls within the parameters of permissible delegation. Section 17(2) clearly delineates the legislative policy and lays down standards for the rule-making authority. Accordingly, Rule 3(7)(i) is *intra vires* Section 17(2)(viii) of the Act.

[26] AIR (1967) SC 1895.
[27] (1965) 2 SCR 477.

Section 17(2)(viii) does not lead to an excessive delegation of the 'essential legislative function'.

II. Is Rule 3(7)(i) arbitrary and violative of Article 14 of the Constitution insofar as it treats the PLR of SBI as the benchmark?

32. Rule 3(7)(i) posits SBI's rate of interest, that is the PLR, as the benchmark to determine the value of benefit to the assessee in comparison to the rate of interest charged by other individual banks. The fixation of SBI's rate of interest as the benchmark is neither an arbitrary nor unequal exercise of power. The rule-making authority has not treated unequal as equals. The benefit enjoyed by bank employees from interest-free loans or loans at a concessional rate is a unique benefit/advantage enjoyed by them. It is in the nature of a 'perquisite', and hence is liable to taxation.

33. Rule 3(7)(i), it can be hardly argued, is arbitrary or irrational for the reason it benchmarks computation of the perquisite with reference to the SBI's PLR. SBI is the largest bank in the country and the interest rates fixed by them invariably impact and affect the interest rates being charged by other banks. By fixing a single clear benchmark for computation of the perquisite or fringe benefit, the rule prevents ascertainment of the interest rates being charged by different banks from the customers and, thus, checks unnecessary litigation. Rule 3(7)(i) ensures consistency in application, provides clarity for both the assessee and the revenue department, and provides certainty as to the amount to be taxed. When there is certainty and clarity, there is tax efficiency which is beneficial to both the tax payer and the tax authorities. These are all hallmarks of good tax legislation. Rule 3(7)(i) is based on an uniform approach

and yet premised on a fair determining principle which aligns with constitutional values.

34. It is also apposite to note that when it comes to uniform approach the laws relating to fiscal or tax measures enjoy greater latitude than other statutes.[28] The Legislature should be allowed some flexibility in such matters and this Court would be more inclined to give judicial deference to legislative wisdom.[29] Commercial and tax legislations tend to be highly sensitive and complex as they deal with multiple problems and are contingent. This Court would not like to interfere with the legislation in question, which prevents possibilities of abuse and promotes certainty. It is not iniquitous, draconian or harsh on the taxpayers. A complex problem has been solved through a straitjacket formula, meriting judicial acceptance. To hold otherwise, would lead to multiple problems/issues and override the legislative wisdom. The universal test in the present case is pragmatic, fair and just. Therefore, Rule 3(7) is held to be *intra vires* Article 14 of the Constitution of India.

35. We, accordingly, dismiss the appeals and uphold the impugned judgments of the High Courts of Madras and Madhya Pradesh. No order as to costs.

.....J.
(SANJIV KHANNA)

.....J.
(DIPANKAR DATTA)

NEW DELHI;
MAY 07, 2024.

[28] *Govt. of A.P. v. P. Laxmi Devi*, (2008) 4 SCC 720.
[29] *Swiss Ribbons (P) Ltd. v. Union of India*, (2019) 4 SCC 17.