



2026:DHC:1801-DB



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* **IN THE HIGH COURT OF DELHI AT NEW DELHI**% *Date of decision: 24th February, 2026*+ **W.P.(C) 731/2026 & CM APPL. 3480/2026****WORKDAY LIMITED**

.....Petitioner

Through: Mr. Ajay Vohra, Sr. Adv. with
Dr. Shashwat Bajpai & Mr. Mayank
Chaturvedi, Advs.

versus

**DEPUTY COMMISSIONER OF INCOME TAX CIRCLE INT. TAX
3(1)(1), NEW DELHI**

.....Respondent

Through: Mr. Puneet Rai, SSC with Mr.
Rishabh Nangia, JSC & Mr. Ashvini
Kr., Adv.**CORAM:****HON'BLE MR. JUSTICE DINESH MEHTA****HON'BLE MR. JUSTICE VINOD KUMAR****J U D G M E N T****DINESH MEHTA, J. (Oral)**

1. By way of present writ petition, the petitioner has challenged the order dated 10.10.2025 (mentioned as 30.10.2025), passed by the Office of Circle Int Tax 3(1)(1) (*hereinafter referred to as the 'Competent Authority'*) so also the certificate dated 10.10.2025, whereby the competent authority has issued a tax withholding certificate at the rate of 10% under Section 197 of the Income Tax Act, 1961 (*hereinafter referred to as 'the Act of 1961'*).

2. As per the petitioner, it is a non-resident company incorporated in Ireland with its principal office in Dublin which provides enterprise software products and related services for finance, human resources, planning and



operations. For distribution of its products in India, it entered into a principal-to-principal distribution agreement with Workday India Global Services Pvt Ltd. Under the agreement, it distributes the products in India and pays consideration to the petitioner in accordance with its terms.

3. Mr. Ajay Vohra, learned Senior Counsel for the petitioner submitted that in spite of the fact that the nature of transactions carried out by the petitioner with its Indian counterpart is clear and though neither there is any involvement of royalty nor any no reason to apprehend that the same falls within the ambit of 'Fees for Technical Services' (*hereinafter referred to as the 'FTS'*) as per the India-Ireland Double Taxation Avoidance Agreement (*hereinafter referred to as 'India-Ireland Treaty'*), yet for no rhyme or reason the Competent Authority has issued a tax withholding certificate at the rate of 10%, without recording any reason for the same.

4. Learned Senior Counsel relied upon the judgment of this Court rendered in the case of **SFDC Ireland Ltd. V. Commissioner of Income Tax and Anr.** reported in [2024] 465 ITR 471 (Delhi) and submitted that the judgment of this Court is clear on the aforesaid issue and regardless of the fact that the petitioner in its application had relied upon the said judgment, the Competent Authority has not discussed the same and has proceeded to issue a certificate at 10%.

5. Learned Senior Counsel argued that in any case, the petitioner can be subjected to assessment proceedings and it is required to satisfy the Assessing Officer about the nature of transaction during assessment proceedings, hence the certificate issued at 10% rate is not justified.

6. Mr. Puneet Rai, learned Senior Standing Counsel for the respondent-Department, on the other hand argued that none of the Authorities has so far



examined the nature of transactions carried out by the petitioner and unless the transactions carried out by the petitioner are examined in requisite detail, it cannot be said with certitude that the same are not taxable under the Act of 1961 read with the India-Ireland treaty.

7. He submitted that in any case tax withholding certificate and certificate of deduction of tax at lower rate is not final and once the assessment of the petitioner is made, it shall be entitled for the refund of the tax amount, in case it is found that no tax is payable.

8. Heard learned counsel for the parties.

9. On going through the impugned order, we find that the Competent Authority has not given any sustainable reason. He was required to dilate upon the nature of transaction and record his *prima-facie* opinion and also deal with petitioner's contention and the judgments relied upon.

10. Since almost 85% of the period is already over and the payments made to the petitioner have been subjected to 10% tax, though the transactions *prima-facie* looks to be not exigible to tax, we are of the view that it would be just and proper if a certificate of deduction at 2% is issued to the petitioner so that the concern of the Revenue that the petitioner can be subjected to scrutiny assessment can be addressed and some respite can be given to the petitioner as a substantial amount is otherwise being withheld by the respondents.

11. The petition is, therefore, partly allowed.

12. The respondent is directed to issue a tax withholding certificate requiring deduction of tax at 2%. The same be issued within a period of 10 days from today.

13. We hereby make it clear that our order shall apply only for the



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certificate to be issued pursuant to the petitioner's application for AY 2026-27 (i.e. FY 2025-26).

14. For subsequent year(s) the Competent Authority shall be required to consider the petitioner's application and expeditiously issue tax withholding certificate in accordance with law.

15. With aforesaid directions, the petition along with pending application stands disposed of.

DINESH MEHTA
(JUDGE)

VINOD KUMAR
(JUDGE)

FEBRUARY 24, 2026
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