IN THE HIGH COURT OF JUDICATURE AT MADRAS

DATED :: 22-03-2019

CORAM

THE HON'BLE DR.JUSTICE VINEET KOTHARI

AND

THE HON'BLE MR.JUSTICE T.RAVINDRAN

T.C.A.No.2094 OF 2008

M/s.Sundaram Finance Ltd. ... Appellant

-vs-

The Assistant Commissioner of Income Tax,
Company Circle VI (4),
Chennai. ... Respondent

Appeal under Section 260A of the Income Tax Act,1961, against the order of the Income Tax Appellate Tribunal, Chennai 'B' Bench, dated 01.05.2008, passed in ITA No.204/Mds/2007.

For Appellant : Mr.R.Vijayaraghavan

For Respondent : Mr.T.Ravikumar,
Senior Standing Counsel.

JUDGMENT
(Delivered by ***Dr.Vineet Kothari,J***.)

Revenue has filed this Appeal aggrieved by the order passed by the learned Income Tax Appellate Tribunal, Chennai 'B' Bench, dated 01.05.2008, in I.T.A.No.204/Mds/2007, allowing the Appeal filed by the Assessee for Assessment Year 2003-2004.

2. The Substantial Questions of Law, on which this Appeal was admitted by a Co-ordinate Bench of this Court on 05.01.2009, are quoted below for ready reference :

> *"(1) Whether on the facts and in the circumstances of the case, the Tribunal was right in holding that the Internal Rate Return (IRR) method is the appropriate method of income recognition in hire purchase transaction as against the Equated Sum (ESM) method regularly followed by the appellant ?*
>
> *(2) Whether on the facts and in the circumstances of the case, the Tribunal was right in holding that the interest income accrued only in the Internal Rate Return (IRR) method and formed part of the mercantile system of accounting ?*

(3) Whether on the facts and in the circumstances of the case, the Tribunal was right in holding that the appellant is not entitled to maintain its books on the Internal Rate Return (IRR) method while offering the income on Equated Sum (ESM) method for tax purpose ?

3. When this Appeal is taken up for hearing, learned counsel at Bar submitted that the issues involved in this Appeal are covered by a recent decision of this Court in the case of *Commissioner of Income Tax* v. *M/s.Ashok Leyland Finance Ltd.* in T.C.A.Nos.1299 and 1300 of 2008 decided on 27.02.2019. The relevant extracts from the said judgment are quoted below for ready reference :

"10. Having perused the aforesaid Judgments, we are of the clear opinion that the later decision of Andhra Pradesh High Court relied on by the learned counsel for the Revenue does not help the case of the Revenue and Andhra Pradesh High Court itself distinguished the facts before it from the Madras High Court decision admittedly, the Assessee has been following the same method of E.M.I for bifurcation of its income into Principal and interest component for all these years in question. The S.O.D method gives higher finance charges (interest) for the

initial years and lower finance charges (interest) for the later years, i.e, the Sum of Digits is sum total of the number of years e.g. If the Hire Purchase Agreement is for 10 years, the SOD is 55 (1+2+3+4+5+6+7+8+9+10 = 55). Therefore, total financial charges for the first year would be 10/55, for the second year 9/55, for third year 8/55 and so forth which would clearly give higher financial charges for interest taxable in the first year. This SOD method even though adopted by the Assessee in its Book of Accounts on the basis of Guidelines issued by the Institute of Chartered Accountants of India was not adopted in the Returns of Income filed by it which consistently adopted EMI method for taxability of interest income all these years. Since, for the previous assessment years, this Court has already approved such bifurcation of income and has held that interest income (Finance charges) on consistently adopted basis of E.M.I. would be taxable in the hands of the Assessee, the mere change of Accounting method in its Book of Accounts on the basis of S.O.D. does not alter the position in the tax in the hands of the assessee. Therefore,the Judgment in the case of ***Sri Chakra Financial Services Ltd. Vs. Commissioner of Income Tax [(2013) 350 ITR 398]*** *is distinguishable.*

11. On the other hand, since in the case of the same Assessee, the Coordinate Bench of this Court has upheld the taxability with regard to interest income on EMI method, which has been consistently followed, there is no reason to take a different view in the matter for the present Assessment years.

12. Therefore, we do not find any merit in these Appeals filed by Revenue and accordingly these Appeals are dismissed and the questions of law are answered in favour of the Assessee and as against the Revenue. No order as to costs."

4. In view of the above settled position, this Appeal filed by the Assessee stands disposed of on similar terms. No costs.

Index : Yes/No (V.K.,J.) (T.R.N.,J.)
Internet : Yes/No 22-03-2019
Speaking / Non-Speaking Order

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To

1.The Assistant Commissioner of Income Tax,
Company Circle VI (4),
Chennai.

2.Income Tax Appellate Tribunal,
Chennai 'B' Bench,
Chennai.

DR.VINEET KOTHARI, J.
and
T.RAVINDRAN, J.

dixit

T.C.A.No.2094 OF 2008

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