IN THE HIGH COURT OF JUDICATURE AT MADRAS

DATED: 04.04.2019

CORAM

THE HON'BLE DR.JUSTICE VINEET KOTHARI
AND
THE HON'BLE MR.JUSTICE C.V.KARTHIKEYAN

Tax Case Appeal No. 860 of 2010

M/s. Sundaram Finance Services Limited.,
(merged with Sundaram Finance Limited)
21, Patullos Road
Chennai - 600 002. Appellant / Appellant

Vs.

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

Tax Case Appeal filed under Section 260A of the Income Tax Act, 1961 against the order of the Income Tax Appellate Tribunal, Madras 'B' Bench, Chennai, dated 05.02.2010 made in ITA No.1878/Mds/2009 against the order of the Commissioner of Tax (appeals) chennai 101. dated 30.09.2009 in TCA NO.4/07-08/Ltu (A) against the order of the Assistant Commissioner of Income Tax Company Circle-VI(4), chennai, dated 31.03.2004 in GIR NO/ PAN SO-047/AABFS2605N.

For Appellant : Mr.R.Vijayaraghavan

For Respondent : Mr. T.Ravikumar
Senior Standing Counsel

J U D G M E N T

(Delivered by DR.VINEET KOTHARI, J)

Both the learned counsels fairly agreed that the present Appeal is covered by a decision of this Court in T.C.A.No. 158 of 2009 [M/s. Sundaram Finance Ltd., Vs. The Assistant Commissioner of Income Tax, Chennai] decided on 05.03.2019 and the same may be disposed of on the same terms. It had been held as under:-

"6. Having perused the aforesaid Judgements in (i) Commissioner of Income Tax Vs. Ashok Leyland Finance Limited., [(2013) 213 Taxman 0204]; and (ii) Sri Chakra Financial Services Limited., Vs. Commissioner of Income Tax [(2013) 350 ITR 398], 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 in the case of Ashok Leyland (Supra). 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 Judgement of Andhra Pradesh High Court in the case of Sri Chakra Financial Services Ltd. Vs. Commissioner of Income Tax [(2013) 350 ITR 398] is distinguishable.

7. On the other hand, since in the case of Ashok Leyland Finance Ltd., (supra) 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, in this case.

8. Accordingly, the present Appeal of Assessee is allowed and the questions of law are answered in favour of the Assessee and as against the Revenue. No order as to costs."

3. The present Tax Case Appeal of the Assessee is disposed of on the same terms. No costs.

Sd/-
Assistant Registrar(CS)

//True Copy//

Sub Assistant Registrar

vsg
1. The Income Tax Appellate Tribunal,Madras"B'bench, chennai

2.The Commissioner of Tax (appeals) chennai.
3.The Assistant Commissioner of Income Tax Company Circle, IV(4), Chennai

+1cc to Mr.T.Ravikumar , Advocate SR.No. 32513
+1cc to Mr.Sunnaraya Aiyar , Advocate SR.No. 33188

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A.SK(24/05/2019)