Principal Commissioner of Income Tax, Delhi-4 v. Microsoft India (R&D) Pvt. Ltd.

ITA 458/2026 & ITA 459/2026

ITA 458/2026 & ITA 459/2026 (Delhi HC, decided 2026-05-26) | 2026-05-26

Composite inseparable lease: both Revenue appeals dismissed following Microsoft's earlier decision; rent classified as income from other sources.

High Court of Delhi | 2-judge bench (Division Bench) | Justice Dinesh Mehta | Justice Vinod Kumar

Assessment years: Not specified in supplied order

Earlier decision applied to an unchanged issue

Both appeals failed on undisputed coverage. The assessment years and deduction computation are not stated in this short order.

01 FACTS OF THE CASE

After condoning a 1,222-day delay in re-filing, the High Court heard ITA 458/2026 and ITA 459/2026 filed by the Revenue challenging the ITAT orders holding that rent received by Microsoft India (R&D) Pvt. Ltd. from letting out premises inseparably with fixtures was assessable under 'Income from Other Sources' rather than 'Income from House Property'.

Source: PDF pp. 1-2, paras 1-5

02 DISCUSSION BY THE HON'BLE COURT

The Court reproduced paragraphs 19–23 of its 19 March 2024 decision in ITA 507/2022. That passage applied Sultan Brothers and Jay Metals to an inseparable composite letting of premises and fixtures, classifying the rent as income from other sources. Revenue could not dispute that, apart from the assessment years, the issue was identical.

Source: PDF p.2

03 JUDICIAL DECISION

Holding that both appeals lacked merit, the High Court dismissed ITA 458/2026 and ITA 459/2026.

Source: PDF p. 3, paras 8-9

04 OUTCOME / IN WHOSE FAVOUR

Assessee - Both Revenue appeals dismissed; assessment of composite lease rent under 'Income from Other Sources' upheld.

Source: PDF p. 3, para 9

05 EXPERT COMMENTS

Establish inseparability, not merely furnishing — The adopted reasoning turns on an inseparable composite letting. A building containing equipment does not establish the same legal character without examining the agreement and the parties' arrangement.

Consistency requires the same issue — Revenue could not identify a change beyond the assessment years. A different lease structure or changed rights would require a fresh comparison rather than reliance on the taxpayer's name alone.

Classification is not a deduction computation — The outcome identifies the income head. The short order does not determine every associated deduction, depreciation claim or expenditure amount. Its 1,222-day condonation is likewise specific to these proceedings.

Source: PDF p.2

SOURCE & VERIFICATION

High Court of Delhi official judgment PDF - AKHB Repository (DLHC011086912023_1_2026-05-26.pdf)

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STATUTORY SCOPE

The order describes the competing income heads but does not identify individual Income-tax Act sections.

LATER TREATMENT

Source checked 2026-10-21. Subsequent judicial treatment has not been independently verified.

AI DISCLOSURE

AI-assisted research checked against the identified source. Extraction, interpretation or omission errors remain possible. Source review does not mean independent approval by a practising professional. Verify every material statement against the complete original judgment.

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