Pr. Commissioner of Income-tax-2, Mumbai & Anr. v. M/s. LTI Mindtree Ltd. (as successor to Mindtree Ltd.)

ITA No. 147 of 2024

ITA No. 147 of 2024 (Karnataka High Court, decided 4 September 2025) | 2025-09-04

Volume-discount provision sustained on established method, subsequent discharge and Revenue's inconsistent position.

Income-tax Act,1961: sections 10AA, 115JB, 143(2), 143(3), 260A

High Court of Karnataka | 2-judge bench (Division Bench) | Justice Jayant Banerji | Justice S.G. Pandit

Assessment years: 2014-15

01 FACTS OF THE CASE

Revenue challenged the Tribunal order of 23 February 2023 in C. O.1/Bang/2023 arising from ITA 1068/Bang/2022. The question examined was the Rs.29 crore provision for discount. The AO treated it as contingent; the CIT(A), followed by the Tribunal, relied on identical facts in earlier years to delete the disallowance.

Source: PDF pp.2–6, paras 1–8

02 DISCUSSION BY THE HON'BLE COURT

The earlier Tribunal reasoning described volume-based customer discounts linked to targets, with payment sometimes after year-end. Full subsequent discharge supported a scientific, specific provision matching the year's revenue. The High Court noted that Revenue did not allege non-discharge after AY 2014-15 and had accepted the treatment in other years; the discount issue was not challenged in ITA 55/2017 for AY 2009-10.

Source: PDF pp.7–9, paras 9–11

03 JUDICIAL DECISION

Revenue's position was held inconsistent with its own earlier treatment. No substantial question of law arose.

Source: PDF pp.9–10, paras 11–12

04 OUTCOME / IN WHOSE FAVOUR

Revenue's appeal dismissed; allowance of the discount provision remained undisturbed.

Source: PDF p.10

05 EXPERT COMMENTS

AKHB Expert Comments — editorial analysis, distinct from the Court's findings.

Accrual was supported by the discount mechanism: The reasoning connects the provision to customer sales volumes and specified targets, rather than accepting any reserve labelled discount. The earlier findings of subsequent discharge supported the reliability of the method. For comparison, retain customer terms, target workings, the year-end computation and later settlement evidence linking the provision to revenue already recognised. (PDF pp.7–8, para 9)

Consistency rested on unchanged material facts: Earlier acceptance mattered because the Tribunal treated the facts as identical and Revenue did not contend that the AY 2014-15 provision remained undischarged in the subsequent year. The decision does not make an earlier allowance conclusive despite a changed discount scheme or contrary evidence. It exposes the absence of a factual basis for Revenue's departure in this appeal. (PDF pp.8–9, paras 9–11)

Separate the decided issue from assessment background: Goodwill depreciation, section 10AA computation and insurance and telecom charges appear in the factual history. The Court expressly identified the discount provision as the point for decision and did not independently resolve all those other matters. Nor did it adjudicate the penalty proceedings mentioned in the assessment history; dismissal of this appeal should not be rewritten as a separate penalty ruling. (PDF pp.3–5, 10, paras 2–6, 12)

Source: PDF pp.7–8, para9

SOURCE & VERIFICATION

Original High Court judgment PDF — AKHB source repository

Complete 10-page original reviewed; source bytes verified.

Full original and all five panels re-reviewed on 21 October 2026.

Open cited source rendition

Complete original source and all five note panels checked; original docket identities preserved.

STATUTORY SCOPE

Current law and subsequent treatment not independently verified.

LATER TREATMENT

Source checked 2026-10-21. Subsequent proceedings and current judicial treatment have 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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