Commissioner of Income Tax-LTU, Chennai v. M/s. Mahindra Holidays and Resorts (India) Ltd.

Tax Case (Appeal) No. 1419 of 2010

Tax Case (Appeal) No. 1419 of 2010 (Mad HC, decided 28.04.2026) | 2026-04-28

Time-share subscriptions: continuing contractual obligations supported deferral of 40% for AY 2003–04.

Income-tax Act, 1961: sections 4, 5, 37, 143, 145 and 260A; section 43CB discussed as a later provision

High Court of Judicature at Madras | 2-judge bench (Division Bench) | Dr. G. Jayachandran, J. | Shamim Ahmed, J.

Assessment years: 2003-04

Contract ratios and source chronology

The Court records 60% recognition and 40% deferral for this year, while its quoted clause 5.1 allocates 40% to accommodation and 60% to facilities. The source also gives conflicting 2016/2026 dates for a cited Supreme Court order. Neither discrepancy is silently resolved.

01 FACTS OF THE CASE

For AY 2003–04, Mahindra Holidays recognised 60% of time-share subscriptions and deferred 40% over contracts lasting 25 or 33 years. The AO's assessment dated 22 March 2006 taxed the entire subscription. The CIT(A) allowed the assessee's appeal on 29 May 2008; the ITAT dismissed Revenue's appeal by its order dated 6 July 2010 in ITA 1705/Mds/2008. Earlier-year appeals decided on 26 May 2010 were the precedent followed, not the order currently challenged. The Court records that the recognition ratio had changed from 40:60 to 60:40 from FY 2000–01.

Source: Own paras.1–6; PDF pp.1–6

02 DISCUSSION BY THE HON'BLE COURT

Revenue characterised the payment as immediately earned membership income and the future expenditure as contingent. Examining the agreement, the Court instead found continuing accommodation obligations, including alternate accommodation or damages on specified defaults. It treated the fees as more than a mere entrance charge and rejected linking those obligations exclusively to separate maintenance and utility charges. Its reasoning distinguishes accrued obligations discharged later from contingencies and draws on Calcutta Company, Metal Box, Madras Industrial Investment, Rotork Controls and service-revenue precedents. Section 43CB's later introduction is expressly mentioned in paragraph 13; the source does not support saying that ICDS or later legislation was entirely absent from discussion.

Source: Own paras.7–17; PDF pp.6–39

03 JUDICIAL DECISION

The Court upheld the deferred-revenue treatment on the contractual obligations and authorities examined. Paragraph 22 expressly answers the questions against Revenue, using the word "negative"; paragraph 23 dismisses TCA 1419 of 2010 without costs. The explicit disposition governs the summary despite the affirmative framing of the questions.

Source: Own paras.21–23; PDF p.42

04 OUTCOME / IN WHOSE FAVOUR

Revenue's appeal failed and the relief sustained by the CIT(A) and Tribunal remained in place for AY 2003–04. The judgment supports timing of recognition on the examined facts; it does not exempt the deferred receipts permanently or prescribe a universal percentage for every membership contract.

Source: Own paras.1,4–6,21–23; PDF pp.2–6,42

05 EXPERT COMMENTS

Start with the performance obligation — The decisive link is between the subscription and enforceable accommodation commitments throughout the membership term. Identify the reservation conditions, substitute accommodation and default remedies before arguing that receipt equals completed earning. The label "membership fee" alone is insufficient.

Reconcile ratios and contract versions — The judgment records 60% upfront recognition for this year but reproduces a clause allocating 40% to accommodation and 60% to facilities. Preserve both statements and reconcile the operative agreement, accounting policy and year before applying the percentage elsewhere. Later recognition must still be traced.

Prove an existing obligation, not merely a reserve — The Court connects the future burden to contractual promises already undertaken. A defensible computation should explain the outstanding services and estimation basis, distinguishing them from optional future spending. Separate maintenance charges did not extinguish the membership obligations here. It is not a general permission to spread every advance.

Keep later law and precedent treatment separate — Section 43CB and ICDS appear in this judgment concerning AY 2003–04. Their mention does not establish retrospective application or clearance for current contracts. The source's conflicting dates for the cited Supreme Court order also require checking that order before asserting its precise precedential effect.

Source: Editorial analysis; own paras.1–23; PDF pp.2–42

SOURCE & VERIFICATION

Madras High Court official judgment PDF - AKHB Cloud Repository

Forty-three-page judgment; own paragraphs 1–23, with separately numbered precedent quotations.

All 43 original pages read and visually inspected; source hash verified. AI-assisted substantive correction.

Open cited source rendition

Source bytes and identity checked; see panel-specific references and disclosed source anomalies.

STATUTORY SCOPE

AY 2003–04 accrual and matching dispute. The judgment refers to later section 43CB and ICDS; it does not supply a complete current-law applicability analysis.

LATER TREATMENT

Source checked 2026-10-21. Subsequent treatment not 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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