



Hon'ble ITAT Bench Hyderabad held that the lease consideration paid as a lump-sum payment for a lease period of 25 years would not be taxable fully in the assessment year in which the amount received, as per the accrual basis of accounting.

ITO Versus M/s M/s. Mytrah Wind [TS-13-ITAT-2023(HYD)]

Hyderabad, January 13, 2023

In the instant case, the assessee leased out the property for 25 years for a consideration of 5 Cr. (approx)

The assessee received the consideration as a lump-sum payment, while the assessee filed the return of income for the year in which the assessee received the payment so, the assessee for tax purposes, only mentioned the amount of rent which accrued for the assessment year and not the full amount received i.e., by dividing the total lease consideration amount received by the time period of the lease agreement and mentioning only that amount in the present year return which was related to a particular year as per calculation.

The assessing officer imposed the tax on the whole lease consideration considering it as a 'lease premium' in a single assessment year.

The Hon'ble ITAT held that considering the lease consideration and the time period of the lease agreement assessee is not liable to pay tax on lease consideration in a single assessment year, but the assessee needs to pay tax on the lease consideration that accrued for the relevant year (as per above mention calculation method) till the expiry of lease period.

