Exp. incurred on interior designing of leasehold premises is deductible as revenue exp.

Summary – The Mumbai ITAT in a recent case of Peri (India) (P.) Ltd., (the Assessee) held that where assessee incurred expenditure on interior designing of leasehold premises, said expenditure was to be allowed as revenue expenditure

Facts

- The assessee had leasehold premises. It incurred huge expenditure on repairs and furnishing of said premises. It claimed deduction of same as revenue expenditure on ground that the intention was not to bring about any new capital asset.
- The Assessing Officer viewed such a huge expenditure could not be categorised as current repairs and, therefore expenditure was to be treated as capital expenditure. Consequently, he disallowed claim for revenue expenditure and allowed depreciation.
- The Commissioner (Appeals) upheld order of the Assessing Officer.
- On appeal, before the Tribunal:

Held

- The expenditure in question pertains *inter alia* for interior designing, for metal, cement & bricks for mock-up, for replacing of tiles and allied expenses. These expenses cannot be treated as capital expenditure, particularly when, given facts of this case, they have limited useful life. As regards the Assessing Officer's reliance upon Explanation-1 to section 32, it could come into play only when the capital expenditure is incurred in connection with a leased premises, but then, merely because it is an expense incurred in connection with the leased premises, it cannot be inferred that it is a capital expenditure. The authorities below have been thus swayed by the considerations which are not relevant.
- Section 30(*a*) categorically provides that when a premises used for the purposes of the business or profession, is occupied by the assessee as a tenant and when the assessee has undertaken to bear the cost of repairs to the business, the amounts paid on such repairs is to be allowed as deduction under section 30(*a*)(*i*). As regards the restriction to the effect that only current repairs can be allowed, it is set out in section 30(*a*)(*ii*). It refers to a situation when the premises are occupied by the assessee otherwise than as a tenant. Clearly section 30(*a*)(*ii*) does not apply to the facts of the case. The assessee was occupying the premises as a tenant. In this view of the matter, it cannot be said that the repair expenses which are to be allowed as deduction when the assessee is restricted to only current repairs. As stated earlier, on a careful perusal of the material, the repair expenses incurred by the assessee, which have been termed as leasehold improvement, are revenue

expenditure in nature. In view of these discussions, as also bearing in mind entirety of the case, the addition is deleted.