

Capital expenditure to include expenses incurred on interior decoration & office equipment on leased premises

Summary – The High Court of Madras in a recent case of ETA Travel Agency (P.) Ltd., (the Assessee) held that Capital expenditure will include expenses incurred on interior decoration & office equipment on leased premises

Facts

- The assessee filed return claiming that expenses incurred for doing the interiors of the premises taken on lease were to be treated as a revenue expenditure.
- The Assessing Officer, rejected assessee's claim by taking a view that expenditure incurred was capital in nature.
- The Commissioner (Appeals) as well as the Tribunal allowed assessee's claim.
- On revenue's appeal:

Held

- Applying the *Explanation 1* to section 32 the expenses incurred by assessee were for providing furniture, interior decoration and office equipment and also consultation charges. The expenses, which were incurred, clearly show that they are fixed and are capital in nature. It is immaterial as to whether the assessee is the owner of the building or the lessee and there is no scope left for any interpretation since, by legal fiction, the assessee is treated as the owner of the building for the period of their occupation.
- Accordingly, the HC decided that the appeal and the order passed by the Assessing Officer was restored.