

## Lower lease rentals from Group Co. doesn't call for additions if it was lowered due to breakdown of boiler

**Summary – The High Court of Calcutta in a recent case of Shree Hanuman Sugar & Industries Ltd., (the Assessee) held that Where assessee-company took a factory on lease paying annual rent of Rs. 1.18 crore, and further leased same to group company for Rs. 2.25 crore, but in view of breakdown of boiler assessee passed resolution for accepting Rs. 75 lakhs as rent, no addition could be made in total income of assessee on account of difference in rent received**

### Facts

- The assessee was a lessee of a sugar factory paying an annual rent of Rs. 1.18 crores. The assessee, on its part, had let out the factory to group company ESIL at a rental of Rs. 2.25 crores. During the previous year there was breakdown of boiler, which required extensive repairs and renovations. The assessee agreed to reduce the rental from 2.25 crore to Rs. 75 lakhs.
- However, the Assessing Officer made an addition of Rs. 1.50 crore on ground that assessee had failed to justify reason for allowing reduction of lease rent to the lessee company which belonged to the same group.
- On appeal, the Commissioner (Appeals) also agreed with the view of the Assessing Officer.
- On second appeal, the Tribunal deleted the addition on the ground that the Board of Directors had passed resolution and had altered the condition stipulated in the agreement agreeing to lease rentals of Rs. 75 lakh.
- On the Revenue's appeal to the High Court:

### Held

- There is no denial of the fact that the *bona fide* of the transaction was never in dispute. There is evidence to show that the assessee resolved to remit the sum of Rs. 1.5 crore. There is also evidence to show that the assessee received only a sum of Rs. 75 lakhs. In that view of the matter, the addition of the sum of Rs. 1.5 crore, made by the Assessing Officer and upheld by the Commissioner (Appeals) was rightly deleted by the Tribunal. In that view of the matter, the question formulated is answered in the affirmative and against the revenue.