

Furniture & equipment on leased business premises were entitled to 100% dep: Madras HC

Summary – The High Court of Madras in a recent case of N. Ragunath, (the Assessee) held that Assessee was entitled to 100 per cent depreciation on interior decoration by way of furniture and equipment on leased business premises

Facts

- The assessee was a retailer in garments and a commission agent and was deriving income from house property. A reassessment notice under section 148 was issued against the assessee on grounds that the assessee claimed depreciation allowable at 100 per cent on temporary wooden structure for interior decoration effected to the buildings and the showrooms, in which, the assessee was carrying on his readymade garments business. In the books of account maintained, the assessee claimed depreciation of 10 per cent of such decoration.
- During the course of reassessment proceedings, the Assessing Officer was of the view that interior decoration including the false ceiling, partition, tiles etc., would give enduring benefit to the assessee, as these structures would never be dismantled at frequent intervals and rejected the claim of the assessee for 100 per cent depreciation in view of *Explanation (1)* to section 32(1).
- On appeal, the Commissioner (Appeals) and the Tribunal decided the issue in favour of the assessee.
- On revenue's appeal to the High Court:

Held

- The issue which falls for consideration is as to whether the Commissioner (Appeals) and the Tribunal were right in holding that the assessee is entitled to 100 per cent depreciation on the interior decoration work done, as the assessee does not derive an enduring benefit nor it can be stated to be a capital asset.
- Though in the books of account, the assessee claimed depreciation at the rate of 10 per cent only, during the course of assessment proceedings, the assessee explained the nature of expenses and the major heads of expenses, which have been noted by the Commissioner (Appeals) in its order.
- The Commissioner (Appeals), on facts, concluded that in order to bring into existence the showroom of a particular brand, the assessee carried out certain specific interior works involving interiors, furniture and equipment in the premises, which was leased out to the assessee and that the interior decoration works were carried out in line with the specifications of the brand, whose products were sold by the assessee as a retailer-franchisee depending upon the terms of the agreement.
- After knowing the factual position, the Commissioner (Appeals) took into consideration the decisions referred above and came to a conclusion that for the interior decoration works done by the assessee in the leased premises, it cannot be stated that the assessee is deriving any enduring

benefit nor it could be stated that any capital asset had been created in favour of the assessee. This factual finding was affirmed by the Tribunal in the impugned order.

- Thus, there is no question of law, much less, substantial question of law, in these appeals.