

HC allows deduction of lease rent paid on shed rented out due to delay in start of business

Summary – The High Court of Punjab & Haryana in a recent case of SRBS Entertainment., (the Assessee) held that where business could not be started due to some difficulties and part of shed taken on lease was given on rent, lease rent paid could be said to be on account of business expediency; same was to be allowed

Facts

- The assessee was carrying out the business of running a community centre club. The assessee sought to venture out in the business of catering and banqueting the assessee took a shed on lease for keeping the furniture. An amount of Rs. 72 lakhs was paid by assessee to the lesser of the shed through cheque as lease rent and TDS was also duly deducted from the said amount. The assessee sought allowance of lease rent paid.
- The Assessing Officer doubted payment of lease rent and disallowed same on ground that, the assessee failed to submit proof regarding use of premises for business purpose. The Assessing Officer rejected the contention of the assessee that the assessee had faced multiple difficulties in starting a new business as there was delay of eight months in getting electricity connection and two of the assessee's partners went to England and failed to return within stipulated period. As there was delay, the assessee rented a part of leased premises to one 'M' which proved the business expediency of the assessee.
- On appeal, the Commissioner (Appeals) set aside order of the Assessing Officer and accepted the contention of the assessee and, thus, allowed lease rent paid.
- On further appeal, the Tribunal concurred with the findings given by the Commissioner (Appeals).
- On appeal to the High Court:

Held

- Indeed mere payment by cheque purportedly towards lease rent and the deduction of TDS would not establish a case for deduction. However, the Appellate Authorities have not allowed the claim merely on the basis of payment being made by cheque and TDS having been deducted. The facts in entirety have been considered and thereafter, a conclusion has been arrived at that it was a business expenditure which was genuinely made towards payment of lease rent.
- Merely because there was some difficulty faced by the assessee in commencing the use of the premises it does not follow that the expenses claimed were not for the purpose of the assessee's business. If the expected fruits are not reaped from a business proposition, it will not be a basis to challenge the business expediency. Even if there was a delay in getting the electricity connection, that may be a result of non-fulfillment of contractual obligations, for which the assessee can claim damages. It would not be open for the department to suggest that in such circumstances, the lease

should have been terminated. It is a business decision to be taken by the assessee. It is not the case of the department that the expenses have not been incurred or that they were made under an understanding camouflaged as a lease agreement.

- The appeal raises questions of fact. No substantial question of law arises. There is no warrant for interference with the order passed by the Tribunal.