

Construction expenditure incurred for completing construction after building sale eligible for deduction u/s. 37(1)

Summary – The High Court of Kerala in a recent case of Oberon Edifices & Estates (P.) Ltd., (the Assessee) held that Construction expenditure incurred for completing construction after building sale would be eligible for deduction u/s. 37(1)

Facts

- The assessee incurred expenditure for completing the construction of building and claimed same as deduction.
- The Assessing Authority disallowed same.
- On appeal, the Commissioner (Appeals) allowed the expenditure.
- Before the ITAT.

Held

- The HC held that Section 37 is a residuary section for allowability of business expenditure.
- To claim an item of expense as business expenditure, it is not necessary that the amount has been actually paid during the relevant accounting year and it is sufficient that the liability for payment had incurred or accrued during the relevant accounting year.
- The HC held that in the instant case the tribunal was right in confirming the finding of the appellate authority holding that, the expenditure incurred by the assessee company during the financial years subsequent to the sale of the building, is eligible for deduction in computation of taxable income.