

Compensation paid by builder to trust for reducing tax incidence rightly disallowed: HC

Summary – The High Court of Bombay in a recent case of Smt. Rajkumari Suniel Mutha, (the Assessee) held that Compensation paid by builder to trust for reducing tax incidence should be disallowed.

Facts

- For the relevant assessment year, the assessee had filed the return declaring taxable income from her business of real estate development. The Assessing Officer in course of scrutiny assessment found that the assessee had entered into an agreement for purchase of an immovable property. According to her, it was found that there were number of charges and impediments in the title to the property and to clear same, the assessee had to incur considerable expenditure.
- The said expenditures were disallowed by the Assessing Officer believing to be non-genuine.
- On appeal:

Held

- The HC stated that the two revenue authorities and the Tribunal concurrently came to the conclusion that the claim of expenditure was not genuine. There were major discrepancies in the accounts and the documents presented by the assessee in relation to such claim. There is no question of law arising.
- No question of law arises. In the result, the appeal is dismissed.