

Rent paid for assets taken on finance lease with buy-back option allowable as revenue expenditure

Summary – The Delhi ITAT in a recent case of NIIT Ltd., (the Assessee) held that rent paid for assets taken on finance lease with buy-back option would be allowable as revenue expenditure

Facts

- The assessee-company had taken infrastructure/movable assets on finance lease and claimed deduction in respect of payment of principal amount of finance lease.
- The Assessing Officer disallowed the claim holding that payment of principal amount was in nature of capital expenditure in respect of the value of leased assets and could not be allowed as revenue expenditure.
- On the assessee's appeal, the Commissioner (Appeals) dismissed the appeal.
- On further appeal to the Tribunal:

Held

- The Tribunal held that considering the totality of the facts and circumstances of the case it is clear that the leased assets have been provided through agreement for business purpose of the assessee-company. Since the assessee used these items wholly and exclusively for the purpose of business and was not the owner of the same, the assessee-company rightly claimed the same as revenue expenditure and rightly claimed the deduction of the same.
- In view of the above discussion, there is no justification to sustain the addition.
- Accordingly, the orders of the authorities are to be set aside and the entire addition is to be deleted.