

ITAT accepts Lease Income as 'Business Income' as Business Investments were mostly in nature of Properties

Fact of the Case

- The assessee, Shanthilal Movji Bhai Thakker being a resident individual obtained a property situated at Manish Market, Chennai on lease for a period of 27 years and sub-leased the same to various persons.
- The lease income thus earned was offered as business income and various expenses were claimed against the receipts.
- The lease income earned therefrom was to be assessed as 'Income from House Property' which would be eligible for statutory deduction of 30%. Finally, the aforesaid income was assessed as 'Income from House Property and AO also made interest disallowance under section 36(1)(iii) / 37(1) and disallowance under section 14A.
- The assessee submitted that it was engaged in the business of real estate development, hotel business, and lease rental business for more than two decades. The partnership firm of the assessee 'Sriji Developers' as well as corporate entity namely 'Sriji foundation Pvt. Ltd.' was engaged in real estate activities.
- The leased premises were a building wherein the shops were let out for rent. The main object was to let out the premises on rent and the receipts were rightly offered as 'business income'. The assessee also assailed the interest disallowance and disallowance u/s 14A.

Decision of the Case

- The coram headed by the Vice President, Mahavir Singh, and Accountant Member Manoj Kumar Aggarwal found that the major source of income for the assessee is rental income. The assessee obtained a long-term lease of the property and sub-leased the same in a regular systematic manner with a view to earning rental income from such activities in a business-like manner.
- The perusal of financial statements would show that the assessee had obtained loans to procure the properties and business investments were mostly in the nature of various properties. Therefore, considering the facts of the case, the income was rightly offered as 'Business Income' and the claim of the assessee, in this regard, was to be accepted.
- The AO is directed to re-compute the income of the assessee in terms of this order.