Relief to Tulip Star Hotel: ITAT deletes Disallowance of Expenses amounting to 3.6 Cr

Fact of the Case

1. The assessee, a company and was engaged in the business of owning and managing the hotels in India, claimed expenses amounting to Rs.3,61,28,155/- while filing its income tax returns for the period 2012-13.
2. The Assessing Officer, however, did not agree with the submissions of the assessee and disallowed the entire expenses debited to the profit and loss account and assessed the income of the assessee at nil.
3. When the order was reversed by the first appellate authority, the Revenue approached the Tribunal contending that the assessee had paid to the collaborators for expenses on services/premises which are clearly covered under the ambit of TDS provisions and that the assessee did not form any partnership firm with any of the collaborators and therefore, payments made to them/revenue shared with them cannot be treated as a share of profits in the absence of partnership firm.

Decision of the Case

1. The Tribunal bench comprising Accountant Member Prasant Maharishi and Judicial Member K Narsimha Chary noted the fact that the assessee was incorporated on 10.09.2087, made investments in V. Hotels Ltd, which had acquired Centaur Hotel in Mumbai from the Government intending to revive the business of such hotels.
2. The bench, while upholding the order of the first appellate authority, relied on the decision in the case of Integrated Technology Ltd wherein it was held that the expenses incurred for retaining the status of the compare are an allowable deduction, even though the assessee did not carry out any business activity during the assessment year.
3. The Bench uphold the order of the ld. CIT(A) and dismiss the grounds of appeal of the Revenue," the bench said.