

(2002) 07 MAD CK 0009

In the Madras High Court

Case No : Tax Case Appeal No's. 16 to 18 of 2002 and TCMP No's. 1 and 2 16
July 2002 A.Y. 1988-89 to 1990-91

A. Abdul Rahim

APPELLANT

Vs

ITO

RESPONDENT

Date of Decision : 16-07-2002

Acts Referred:

Citation : (2002) 177 CTR 203

Hon'ble Judges : V.S. Sirpurkar, J;N.V. Balasubramanian, J

Bench : Full Bench

Advocate : Mrs. Anitha Sumanth, for the Assessee T.C.A. Ramanujam, for the Revenue, for the Appellant;

Judgement

N.V. Balasubramanian, J.

Rule returnable forthwith. Mr. T.C.A. Ramanujam, learned senior standing counsel takes notice for the department.

2. This appeal is preferred against the order of the Tribunal for the assessment years 1988-89, 1989-90 and 1990-91.

3. The short question that arises is whether the estimate made by the Income Tax Officer, which was reduced by the Commissioner (Appeals), and which was further reduced by the Tribunal is proper and whether any question of law arises out of the order of the Tribunal.

4. The assessee had constructed a multistoreyed building in Nagapattinam in an area of about 17,000 sq. ft. and it was a commercial building let

out to a bank, telegraph office and a portion of it was also let out for running a lodge apart from ground floor being used for shop rooms let out to

different persons. The assessee has estimated the cost of construction at Rs. 15,85,000, and the assessing officer referred the question of valuation

of the property to the Departmental Valuation Officer (hereinafter referred to as the DVO) and he has reported that the estimated cost of construction would be Rs. 29,87,680. The assessing officer did not accept the explanation offered by the assessee and he held that the difference in the amount between the estimated cost of construction of the assessee and the value determined by the DVO amounting to Rs. 14,02,680 would represent the unexplained investment of the assessee and added the same in the assessments spreading over the period of said investment for the period of three years, namely, 1988-89, 1989-90 and 1990-91. The assessee took up the matter in appeal before the Commissioner (Appeals). The Commissioner (Appeals) found that the accounts maintained by the assessee were not correct and he found many defects in the accounts maintained by the assessee for the construction of the building in question. He rejected the books of account maintained by the assessee, but however, he felt that certain reduction was called for, and accordingly determined the cost of construction of the building to be Rs. 26,88,914, and reduced the difference to Rs. 11,03,914, and partly allowed the appeal. The assessee, not satisfied with the reduction granted by the Commissioner (Appeals), preferred a further appeal before the Tribunal. Before the Tribunal, the submission on behalf of the learned senior counsel appearing for the assessee was that the Valuation Officer should have adopted the State PWD rates instead of the Central PWD rates as the building was constructed in Nagapattinam and further reduction should also be given in the cost of service provided in the building. The Tribunal held that in the case of Dr. Dhass, the Tribunal had adopted CPWD rates and granted reduction at the rate of 25 per cent. The Tribunal after taking into account, the nature of the building, location of the building and also the profit element involved by the self-supervision of the assessee, granted further reduction of 15 per cent on the CPWD rates. As far as the cost of services provided in the building, namely, water supply, sanitation and electricity installation are concerned, the Tribunal held that further reduction of 11 per cent should be granted and after granting necessary reduction, the Tribunal further reduced the cost of construction to Rs. 22,48,535 and held that the difference of Rs. 6,63,535 should be taken as unexplained income of the assessee which should be spread over for the period of three years and partly allowed the appeal

preferred by the assessee. The assessee has preferred this appeal challenging the order of the Tribunal.

5. Heard Mrs. Anitha Sumanth, learned counsel appearing for the assessee, and Mr. T.C.A. Ramanujam, learned senior standing counsel for the department.

6. We find that the findings rendered by the Tribunal are pure questions of fact. The submission by the learned counsel for the assessee is that since

the building is situate in a rural area in the state, namely, Nagapattinam, the Valuation Officer should not have adopted the CPWD rates. She

referred to the decision of the Allahabad High Court in the case of Commissioner of Income Tax Vs. Raj Kumar, . We are unable to agree. We

find that the Tribunal has taken into account, the nature of the building, the location of building and also took into account that the deduction was

already granted on account of self-supervision and then it held that the deduction of 15 per cent on the CPWD rates should be granted. As far as

the cost of services is concerned, the Tribunal held that the estimate should be reduced to 11 per cent and thus the cost of construction was arrived

at. We are of the view that the finding determining the cost of construction of the building is a pure question of fact, particularly when the cost of

construction was arrived at on an estimated basis. We therefore, hold that no question of law is involved in estimating the cost of construction of

the building. The Tribunal, after taking into account, the nature of the building has held that the CPWD rate should be adopted and has granted

further reduction of 15 per cent. It is not pointed to us that it is a trite law that in all the cases where CPWD rates are adopted, there should be

reduction of 25 per cent on CPWD rates, as pleaded by the assessee. The percentage of deduction to be granted would depend upon the facts of

each case. Further, there was hardly any satisfactory explanation from the assessee against the adoption of CPWD rates except the general

statement that the cost of construction would be more in urban areas than in rural areas. As pointed out earlier, the assessee has not produced any

material to establish the same and the assessee has also failed to prove that the adoption of CPWD rates was arbitrary or unreasonable. The

Tribunal, in our view, has arrived at the cost of construction of the building on a reasonable basis and it cannot be stated that the valuation of the

building as a whole determined by the Tribunal is in anyway arbitrary, unreasonable or perverse. Learned counsel for the assessee also submitted

that while 15 per cent reduction was granted with reference to the cost of super-structure, it was not granted with reference to other items. So far

as the other items are concerned, they are only cost of the services and as for the cost of services, the Tribunal has granted reduction of 11 per

cent instead of 15 per cent. In our view, it is not necessary that the uniform rate of 15 per cent should be adopted for the cost of services also.

Accordingly, we find that no question of law, much less, a substantial question of law arises out of the order of the Tribunal, calling or our

interference. Accordingly, the appeals fail and they are dismissed in the admission stage itself in limine. No costs. TCMPs 1 and 2 of 2002 are

closed.

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