Commissioner of Income Tax v. A.V.K. Constructions Pvt. Ltd.

TC(A) No. 664 of 2007

TCA664/2007 (2007-06-21) | 2007-06-21

Subletting receipts of the short-term lessee retained as business income under the ownership provisions considered.

22 | 27(iiib) | 269UA(f) | 260A

High Court of Judicature at Madras | Division Bench | Justice P.D. Dinakaran | Justice P.P.S. Janarthana Raja

Assessment years: 1998-99

Scope of this order

The Tribunal's business-income treatment remained undisturbed on these lease facts.

01 FACTS OF THE CASE

AVK Constructions took premises on lease from 1 April 1996 for eleven months, with an option for a further two years, at monthly rent of Rs.10,000. It sublet the property. Revenue sought house-property treatment of the receipts for AY 1998-99.

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02 DISCUSSION BY THE HON'BLE COURT

The Court applied section 22 ownership and the deemed-ownership provisions in section 27(iiib), read with section 269 UA(f). It placed the lease within the short-term exception and held that the assessee was not the owner for sections 22 to 26.

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03 JUDICIAL DECISION

Revenue's appeal was dismissed; no substantial question of law arose.

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04 OUTCOME / IN WHOSE FAVOUR

The Tribunal's business-income treatment remained undisturbed on these lease facts.

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05 EXPERT COMMENTS

Read the complete lease facts — The source records both the eleven-month term and an extension option. The result should not be summarized as a universal exemption for every lessee or every subletting arrangement.

Deemed ownership is the statutory hinge — The judgment expressly considers the ownership deeming provision and its short-term exception. Classification requires the rights actually acquired; the label “rent” does not alone resolve the head of income.

Keep the holding within the appeal — The decision leaves business-income treatment in place for this assessee. It does not determine every downstream expense claim, capital-gains issue or the treatment of a materially different lease.

Source: PDF p. 4

SOURCE & VERIFICATION

Primary High Court order - verified local repository copy

Complete 5-page court PDF read for this correction.

Complete source text and every original page visually reviewed; identity and SHA-256 checked. AI-assisted source analysis.

Open cited source rendition

All 5 physical source pages read and visually inspected. SHA-256: 3031ade145dd94928ed7b2bb9f74c73d6304074492023d37857b8754b5607d7e.

STATUTORY SCOPE

This note describes the historical provisions addressed by the supplied judgment. Subsequent statutory changes and judicial treatment have not been independently verified.

LATER TREATMENT

Source checked 2026-10-21. Subsequent judicial treatment has not been independently verified.

AI DISCLOSURE

AI-assisted research checked against the identified source. Extraction, interpretation or omission errors remain possible. Source review does not mean independent approval by a practising professional. Verify every material statement against the complete original judgment.

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