

**IN THE INCOME TAX APPELLATE TRIBUNAL
"DB" BENCH, COCHIN**

**SHRI INTURI RAMA RAO, ACCOUNTANT MEMBER
SHRI RAHUL CHAUDHARY, JUDICIAL MEMBER**

**ITA No.547/COCH/2025
(Assessment Year:2016-2017)**

Kundoly Krishnakutty Sunil

Kundoly House, Kuttankulangara,
Punkunnam, Thrissur,
Kerala- 680003
[PAN: AGEPS1499K]

..... **Appellant**

Income Tax Officer, Ward 2(1),
Thrissur, Thrissur,
Kerala- 680001

Vs

..... **Respondent**

Appearance

For the Appellant/Assessee : Shri Ramdas M,
For the Respondent/Department : Smt. Leena Lal,

Date

Conclusion of hearing : 20.08.2025
Pronouncement of order : 22.09.2025

ORDER

Per Rahul Chaudhary, Judicial Member:

1. The present appeal preferred by the Assessee is directed against the Order, dated 06/03/2025, passed by Additional/Joint Commissioner of Income Tax, Appeal - Patna [hereinafter referred to as 'the **CIT(A)**'] under Section 250 of the Income Tax Act, 1961 [hereinafter referred to as 'the **Act**'] whereby the Ld. CIT(A) had dismissed the appeal against the Assessment Order, dated 10/12/2018, passed under Section 143(3) of the Act for the Assessment Year 2016-2017.
2. The present appeal was delayed by 86 days. In the application seeking condonation of delay it has been stated that the delay was inadvertently caused on account of the impugned order having been

received in the spam folder. The Assessee only got knowledge of the impugned order passed only when the tax consultant logged in income tax portal for income tax filing of the Assessee. After hearing both the sides and taking into consideration the explanation offered by the Assessee, we condone the delay of 86 days in filing the present appeal and proceed to adjudicate the grounds raised by the Assessee in the present appeal.

3. The Assessee has raised following grounds of appeal :

- "1. The order of the Commissioner of Income Tax (Appeals), NFAC u/s 250 of the IT Act, 1961 is opposed to law and contrary to the facts of the case and against equity and principles of natural justice.*
- 2. Your appellant purchased a flat for Rs.2,20,86,740/- and also incurred additional expenses of Rs.31,29,112/- for installing some basic facilities to make the house habitable. Even though the total additional cost incurred on flat immediately on its purchase was Rs.31,29,112/-, the appellant has claimed only Rs.26,94,260/- which is as follows :-*

<i>Interior works Expenses</i>	<i>: 10,27,434/-</i>
<i>Electrical and plumbing Expenses</i>	<i>: 2,10,565/-</i>
<i>Kitchen Accessories such as installation of modular kitchen, etc.</i>	<i>: 5,80,397/-</i>
<i>Material purchase</i>	<i>: 4,52,912/-</i>
<i>Labour</i>	<i>: 3,69,000/-</i>
<i>Miscellaneous Expenses</i>	<i>: 53,952./-</i>

: 26,94,260/-

These amounts were spend immediately on purchase of flat were incurred for making the house habitable such as wardrobe construction, interior work, electrical and plumbing work, installation, setting of kitchen.. These were not a luxury but an essential part. The proportionate disallowarice of claim u/s 54F is not correct. In the assessment order, in page number 3 of 5, it is mentioned that "the assessee produced the detailed bill of the expenses as evidence. On verification of the bills it is seen that the major expenses are for renovation of building". In the assessment stage itself, the Assessing Officer was convinced about the expenses but his only

objections is that whether this addition cost is allowable as part of new flat u/s 54F. The first appellate authority failed to consider the same. Copy of bank statements from which the above payments were made are submitted before the first appellate authority. Copy of the same is attached as Exhibit I. Copy of detailed list of expenses are attached as Exhibit II.

Hence, your appellant pray to allow the additional cost incurred Rs. 26,94,260/- as part of cost of new asset and may be allowed u/s 54F.

3. *Your appellant also rely upon the decision of ITAT Bangalore in the case of ITO vs Shri Ramakrishna M.J (ITAT Bangalore) I.T.A NO.1326/Bang/2016.*

Your appellant also rely upon the decision of Mrs. RahanaSiraj vs. Commissioner of Income Tax, the Karnataka High Court held that expenditures on modifications, alterations, and improvements to make a purchased property habitable should be considered part of the cost of the new asset for Section 54F exemption purposes.

4. *The appellant has invested Rs.1,53,888/- in LIC premium. While filing the return of income since the income other than capital gain was Rs.70,462/-, your appellant has claimed Rs.70,462/- as deduction u/s 80C. While completing the assessment the learned assessing officer has added interest Rs.3,81,993/-.Hence the total eligible amount u/s 80C will be Rs.150,000/-. The appellant has reported this amount in the return of income. The appellant produced bank statement from which the payment towards LIC payment of Rs.1,53,888/- was debited on 19.03.2016 before the assessing officer and first appellate authority. But the same has not been considered by the lower authorities. Copy of insurance receipt and bank statement for proof for the payment is attached as Exhibit III. "*

4. The relevant facts in brief are the Assessee, an individual resident, filed return of income for the Assessment Year 2016-17 on 01/08/2016 declaring total income of INR 50,85,060/-. The case of the Assessee was selected for scrutiny. The Assessing Officer completed the assessment under Section 143(3) of the Act vide Assessment Order, dated 10/12/2018. The Assessing Officer

restricted the deduction claimed by the Assessee under Section 54F of the Act to INR.2,03,79,316/- as against INR.2,24,25,368/- claimed by the Assessee in the return of income. Further the Assessing Officer also restricted the deduction claimed by the Assessee under Section 80C of the Act to INR.70,462/- as against eligible claim of INR.1,50,000/- made by the Assessee.

5. Being aggrieved, the Assessee preferred the appeal before the Ld. CIT(A) challenging the aforesaid addition/disallowance. Ld. CIT(A) vide Order, dated 06/03/2025, dismissed the aforesaid appeal.
6. Being aggrieved, the Assessee has now preferred the present appeal before the Tribunal on grounds reproduced in paragraph 2.
7. We have heard both the sides and have perused the material on record.
8. **Ground No. 2 & 3** raised by the Assessee pertain to denial of deduction as claimed by the Assessee under Section 54F of the Act in respect of additional cost of INR.26,94,260/- incurred by the Assessee after the purchase of the residential property. On perusal of the orders passed by the authorities below we find that the Assessee had contended that the aforesaid additional cost was incurred by the Assessee for making the residential property habitable. Whereas, the Assessing Officer rejected the aforesaid claim holding that the addition cost was nothing but expenses incurred for renovation/improvement. We find that in appeal, the Ld. CIT(A) had also rejected the deduction claimed by the Assessee under Section 54F of the Act in respect of the aforesaid addition cost by placing reliance upon the judgment of Hon'ble Kerala High Court in the case of Pushpa vs. Income tax Officer [2013] 255 CTR 222 (Kerala)[22-08-2012] and Mrs. Meera Jacob vs. Income-tax Officer [2009] 313 ITR 411 (Kerala)[09-06-2008]. On perusal of the

aforesaid judgments of the Hon'ble Kerala High Court we find that it has been held by the Hon'ble High Court that deduction under Section 54F of the Act would be available only in case of purchaser of new residential unit and not for the purpose of modification/renovation of the existing residential house. In the present case it is not disputed that the Assessee had incurred expenses after the purchase of residential property. The claim of the Assessee is that the Assessee had incurred additional cost/expenses in INR.31,29,112/- consisting of the following:

Nature of Expenses	Amount (INR)
Interior works	20,42,683
Electrical and plumbing Expenses	2,10,565
Labour	3,69,000
Mis Exp	53,952
Purchases	4,52,912
	31,29,112

7.1. Out of the above expenses, the Assessee had claimed deduction under Section 54F of the Act with respect of expenses aggregating to INR.26,94,260/- since the same were incurred to make the residential property habitable. In this regard we find that the Assessing Officer had returned the following findings in Paragraph 6 and 7 of the Assessment Order:

"6. *The assessee has claimed deduction u/s.54F for investing the sales proceeds in a residential house. The assessee has purchased a flat in Sobha City within the time allowed. The land is sold on 20-01-2016 and the new flat is purchased on 09-03-2016. The cost of flat claimed by the assessee in the computation of exemption u/s.54F is Rs.2,47,81,000/-. The cost as per document plus registration expense plus brokerage paid by cheque, Association fee paid to association total to Rs.2,20,86,740/-. But the assessee has claimed that certain work was done to make the flat habitable and for this the following expense were incurred*

<i>Interior work</i>	<i>20,42,683</i>
<i>Electrical and plumbing</i>	<i>2,10,565</i>

Labour	3,69,000
Misc Exp	53,952
Purchases	4,52,912
	<hr/>
	31,29,112
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The assessee produced the detailed bill of the expenses as evidence. On verification of the bills it is seen that the major expenses are for

<i>Expense</i>	<i>Party</i>	<i>Amount</i>
<i>Sofa upholstery</i>	<i>Sree Muruga</i>	<i>33,500</i>
<i>Spilt A/C</i>	<i>Merzecoool</i>	<i>58,050</i>
<i>Modular Kitchen</i>	<i>SunCity</i>	<i>5,99,700</i>
<i>Wardrobes</i>	<i>SunCity</i>	<i>4,50,000</i>
<i>Bath room Shower</i>		<i>94,000</i>
<i>House warming Party</i>	<i>28-05-2016</i>	<i>1,37,500</i>
<i>House warming club house rent</i>	<i>18-05-2016</i>	<i>11,450</i>
<i>Curtain</i>	<i>Cherkottu</i>	<i>50,000</i>
<i>Curtain</i>	<i>ceepees</i>	<i>26,917</i>
		<hr/>
		<i>14,61,117</i>
		<hr/>

7. *The assessee is admitting that expenses were mainly for interior work and the bills prove that the work done is painting, Sofa work, Split ac, Wardrobes, Electrical fittings, Bath room showers, modular kitchen etc. These items are only fixtures and are not an essential part of house to make it habitable. M/s. Shobha group is one of the famous high cost flat builders and they deliver self contained and complete flats only. The flats will contain standard bathrooms, kitchen, electric points etc. Modern Electrical fittings, AC. modern showers, modern kitchen are optional and are not an essential item. The expenses claimed even include house warming expenses."*

7.2. The above findings returned by Assessing Officer in respect of expenses of INR.14,61,117/- are concerned, the same have gone uncontroverted during the appellate proceedings and there is no material on record to persuade us to take a different view of the matter. As regards balance expenses are concerned we are of the view that only Electrical & Plumbing Expenses amounting to INR.2,10,565/- can be said to have been incurred for making the residential property habitable. Accordingly, we direct the Assessing Officer to grant benefit of deduction under Section 54F of the Act in

respect of additional expenses of INR.2,10,565/-. In terms of the aforesaid Ground No. 2 & 3 raised by the Assessee are partly allowed.

9. As regards **Ground No. 4** raised by the Assessee is concerned the same challenges the order of Assessing Officer/CIT(A) restricting the claim of deduction under Section 80C of the Act to INR 70,462/-. We find that the Assessee was placed on record LIC Premium Receipt evidencing premium of INR.1,53,888/- on 19/03/2016 in respect of policy number (i) 288595544 (Premium Amount: INR.82,937/-), (ii) 788595545 (Premium Amount: INR.35,414/-) and (iii) 788595637 (Premium Amount: INR.35,537/-). Therefore, we direct the Assessing Officer to grant deduction of INR.1,50,000/- under Section 80C of the Act after verification of the aforesaid receipt. In terms of the aforesaid direction Ground No. 4 raised by the Assessee is allowed for statistical purposes.
10. **Ground No.1** raised by the Assessee is dismissed as being general in nature and also on account of having not been pressed during the course of hearing.
11. In result, terms of Paragraph above, the appeal preferred by the Assessee is partly allowed.

Order pronounced on 22.09.2025.

Sd/-
(Inturi Rama Rao)
Accountant Member

Sd/-
(Rahul Chaudhary)
Judicial Member

मुंबई Mumbai; दिनांक Dated : 22.09.2025
Disha Raut, Stenographer

आदेश की प्रतिलिपि अग्रेषित/Copy of the Order forwarded to :

1. अपीलार्थी / The Appellant
2. प्रत्यर्थी / The Respondent.
3. आयकर आयुक्त/ The CIT
4. प्रधान आयकर आयुक्त / Pr.CIT
5. विभागीय प्रतिनिधि ,आयकर अपीलीय अधिकरण ,मुंबई / DR,
ITAT, Mumbai
6. गार्ड फाईल / Guard file.

आदेशानुसार/ BY ORDER,

सत्यापित प्रति //True Copy//

उप/सहायक पंजीकार / (Dy./Asstt. Registrar)
आयकर अपीलीय अधिकरण, मुंबई / ITAT, Mumbai