

**IN THE INCOME TAX APPELLATE TRIBUNAL
PATNA BENCH, PATNA**

**BEFORE SHRI DUVVURU RL REDDY, VP
AND
SHRI RAJESH KUMAR, AM**

**ITA No. 369 /PAT/2025
(Asstt. Year: 2018-19)**

Aryan Flavours B-8, Sector-6, Noida, Gautam Buddha Nagar, Noida, Noida, UP- 201301 Patna.	Vs	DC/AC Circle-1, Patna Muzaffarpur, Muzaffarpur, Bihar
(APPELLANT)		(RESPONDENT)
PAN No. AABFA3538J		

Assessee by : Sh. Sanjeev Kr. Anwar, Adv.

Revenue by : Sh. Ashwani Kr. Singal, JCIT.

Date of Hearing : 24.11.2025	Date of Pronouncement : 23.02.2026
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ORDER

Per Rajesh Kumar, AM:

This appeal is preferred by the assessee against the order of the national Faceless Appellate Centre, Delhi (hereinafter referred to as the “Ld. CIT(A)”) even dated 25.06.2025 for the A.Y. 2018-19.

2. The only issue raised by the assessee is against the order of the Id. CIT(A) confirming the addition of Rs. 69,95,700/- as made by the AO on account of maintenance expenses of building.

2. The brief facts of the case are that the assessee is engaged in the business of manufacturing of flavours and perfumes. The AO noted from the balance sheet that assessee has shown building worth Rs.1.85 crore in his balance sheet, on which repair and, maintenance expenses has been claimed at Rs.77.73 lac. In view of the huge magnitude of the expenditure that too on repair and renovation carried out during the year, the said repairs were not allowable as expense being of capital nature . Consequently, the AO added Rs.69,95,700/- to the total income of the after allowing depreciation @ 10% on the said expenditure.

3. In the appellate proceedings, the learned CIT (A) dismissed the appeal of the assessee on this issue by noting that the said expenditure was not allowable under the provisions of section 37(1) which expressly excluded the expenditure which is not in the nature as described in section 30 to section 36 and not in the nature of the capital expenditure or personal expenses or expenses which are not expended wholly and substantially for the business of the assessee and finally upheld the order of the AO.

4. After hearing the rival contentions and perusing the materials available on record, we find that the assessee has been carrying on the business of manufacture of perfumes and other items since from more than 25 years. The factory building was stated to have requiring some3 extensive building repair and maintenance so that the activities of the assessee are carried on

unhampered. We observe that though the amount is quite substantial but if we consider the nature of these expenses , we observe that only repairs were carried out and therefore, the same was within the ambit of current repair and not in the nature of the capital expenditure.

5. The Id. AR has placed reliance on the decision of the Hon'ble Bombay High Court in the case of CIT vs Oxford University Press 1977) 108 ITR 166 (Bom). The Id. AR has explained that the assessee has carried out an extensive repair to the dilapidated building of factory though admittedly no extension of the existing building was done. We note that the factory was running from more than 25 years and the observations of the AO that the value of Rs.185 crore only which is depreciated value and not the gross value. In our opinion the repairs carried out by the assessee are in the nature of repairs and renovation and no new assets has come into being or the assessee was deriving any benefit of perpetual or enduring nature. The case is covered by the Hon'ble Bombay High Court in the case of CIT vs. Oxford University (Supra) wherein the Hon'ble Bombay High Court has held as under:

“ It was held that expression “repair” must be understood in contradistinction to renewal or restoration and the test to be applied is to see whether as a result of the expenditure what is being done is to preserve and, maintain already existing asset or whether as a result of the expenditure a new asset or a new advantage is being brought in to existence. The mere quantum of expenditure is not by itself decisive of the question whether it is of the nature of revenue or capital. In the said case, the assessee during assessment year 1963-64 had incurred an expenditure of Rs.59,000/- in the form of payment

made for gunting work carried on in its building known as "Oxford House" and also a sum of Rs.3,680 as fees paid to the architects in connection with the gunting work undertaken on the advice of the architects. Both these items were claimed as expenditure incurred for repair to their building. The AO observed that the same could not be called as current repairs but the assessee had undertaken major structural repairs which had the effect of prolonging the life of the building for at least 15 years and as the repair resulted in extension of the period of the service ableness was a capital expenditure. Their Lordship observed that no new asset or new advantage as such could be said to have been brought into existence by reason of expenditure incurred for doing the gunting work. As a result of the asset, Viz, the building as a whole and the same in no way increased the accommodation or earning capacity of the building in that sense, no new advantage of enduring benefit had been brought into existence. The repairs also could not be regarded as heavy structure / repairs. Simply because of repairs, the life of the building was prolonged for at least 15 years, it could not be said that the expenditure was in the nature of a capital expenditure and thus. It was held that the said amount was allowable as business expenditure.

Copy of the judgment is enclosed. The ratio of Oxford University case (Supra) as above is being followed by other High Courts and ITAT in Urban Infrastructure Venture Ltd, vs. DCIT (Copy enclosed) (Marked as Annexure-4). It has been categorically held that no new asset has been created and changes were made by the assessee for efficiently carrying on the business. It would be treated as revenue expenditure. Further Hon'ble Delhi Court in he case of CIT vs Hi Line Pens Pvt. Ltd. (2008) 306 ITR 182 (Del) held that expenses incurred on flooring, partition, wiring false ceiling roofing are in the nature of revenue expenditure.

Thus, in view of the judicial trend, it is humbly submitted that the quantum of expenditure and its enduring benefits immaterial to decide whether the expenditure is enforcement etc have been made to the existing building ad as such the expenditure is revenue in nature and fully allowable.

It is therefore, humbly prayed that the addition of Rs.69,700/- may kindly be deleted."

6. In our opinion the repairs carried out by the assessee were only in the nature of major repairs and accordingly the order of learned CIT(A) is set aside and AO is directed to delete the addition.

7. In the result the appeal of the assessee is allowed

(Order Pronounced in the Court on 23.02.2026.)

Sd/-
(DUVVURU RL REDDY)
(VICE PRESIDENT)

Sd/-
(RAJESH KUMAR)
(ACCOUNTANT MEMBER)

Dated: 23.02.2026

S.S

Copy forwarded to:

1. Appellant
2. Respondent
3. CIT
4. CIT(Appeals)
5. DR: ITAT

ASSISTANT REGISTRAR