



### **Lease rent from letting out buildings/developed space along with other amenities in an Industrial Park/SEZ – to be treated as business income**

**Circular No. 16/2017 dated 25<sup>th</sup> April 2017.**

**Issue-** Income from letting out of premises/developed space along with other amenities in an Industrial Park/SEZ to be charged under the head “Profits and Gains from Business and Profession (PGBP)” or under the head “Income from House Property”.

Assessee claim the letting out as business activity, whereas Assessing Officer hold it be chargeable under “Income from House Property”.

#### **Clarification from the Board-**

Income from Industrial Parks/ SEZ established under various schemes framed and notified u/s 80IA(4)(iii) of the Act, is liable to be treated as business income, provided the conditions prescribed various schemes have been fulfilled. The CBDT has accepted the following judicial precedents in this regard.

Sal.No.	Case	Content
1.	Velankani Information Systems Pvt. Ltd.	The Hon’ble Karnataka High Court observed that any other interpretation would defeat the object of section 80IA and government schemes for development of industrial parks in the country. SLPs filed in this case by the department have been dismissed by the Hon’ble Supreme Court
2.	CIT V/s Information Technology Parks Limited	The Karnataka High Court reaffirmed its earlier views. It has held that, since the assessee company was engaged in the business of developing, operating and maintaining an Industrial Park and providing infrastructure facilities to different companies as its business, the lease rent received from letting out buildings in a software technology park would be taxed under PGBP and not under “Income from House Property”. The judgement has been accepted by the board

In the view of the above, the CBDT has clarified that in case of an undertaking which is engaged in the business of developing, operating and maintaining an Industrial Park notified in accordance with the scheme notified by the government, the income from letting of premises/developed space along with other facilities is to be charged to tax under “PGBP”