

## **CBDT clears the air on rental incomes from industrial parks, SEZs**

**New Delhi, April 26:** The Central Board of Direct Taxes (CBDT) has made it clear that income from letting out buildings /developed space along with other amenities in an industrial park/special economic zones (SEZs) would only be treated as “business income” and not as “income from house property”.

This stance would come as relief for taxpayers as such rental/lease income can now be counted for computation of tax breaks by such industrial parks or SEZs, say tax experts.

Hitherto, assesseees were claiming the letting out as business activity, the income arising from which to be charged to tax under the head ‘profits and gains of business’. Also, the assessing officers were holding it to be chargeable under the head ‘income from house property’. If the CBDT had treated such incomes as “income from house property”, then assesseees would not have been entitled to count such rental income for computation of tax breaks eligible for industrial parks/SEZs. The CBDT has also now advised the Income Tax Department not to henceforth file any appeals on this settled issue. Those already filed may be withdrawn and not pressed upon, the CBDT told its field formations in a circular.

Reacting to the CBDT move, Aseem Chawla, Partner, Phoenix Legal, a law firm, said that the circular is a welcome relief and does respect the judicial view point as well, where the courts have upheld that income earned from letting out a developed premises along with other facilities in an industrial park or a SEZ be regarded as business income.

Amit Maheshwari, Partner, Ashok Maheshwary & Associates LLP, a CA firm, said this has come as a major relief to taxpayers and puts to rest the controversy around the classification of income in the hands of industrial parks and SEZs. Neha Malhotra, Executive Director, Nangia & Co, said the CBDT has clarified the legal position to put an end to further litigation. Section 80-IA exemptions are to be used by SEZ developers and their income from developing and letting out the premises along with facilities in an SEZs cannot be considered as income from house property, and has to be considered as income from business and profession, she added.