

**IN THE INCOME TAX APPELLATE TRIBUNAL
“A” BENCH, AHMEDABAD**

**BEFORE SHRI SIDDHARTHA NAUTIYAL, JUDICIAL MEMBER
& SHRI NARENDRA PRASAD SINHA, ACCOUNTANT MEMBER**

I.T.A. No.273/Ahd/2026
(Assessment Year: 2016-17)

Shree Vaidehi Impex Pvt. Ltd., 1, 1, Sarthik Square, Nr. GNFC Tower, S.G. Highway, Ahmedabad-380054	Vs.	Deputy Commissioner of Income Tax, Circle-4(1)(1), Ahmedabad
[PAN No.AAJCS3063R]		
(Appellant)	..	(Respondent)

Appellant by :	Shri Hardik Vora, AR & Ms. Kaushani Shah, AR
Respondent by:	Shri C Dharani Nath, Sr. DR

Date of Hearing	26.03.2026
Date of Pronouncement	21.04.2026

ORDER

PER SIDDHARTHA NAUTIYAL - JUDICIAL MEMBER:

This appeal has been filed by the Assessee against the order passed by the Ld. Commissioner of Income Tax (Appeals), (in short “Ld. CIT(A)”), National Faceless Appeal Centre (in short “NFAC”), Delhi vide order dated 13.09.2024 passed for A.Y. 2016-17.

2. The assessee has taken the following grounds of appeal:

“1. On the facts and circumstances of the case and in law, the Ld. CIT(A) has erred in computing long-term capital gains amounting to Rs. 2,86,99,314/- by wrongly adopting the indexed cost of acquisition with reference to F.Y. 2010-11, being the year in which depreciation was last claimed, instead of F.Y. 2006-07, being the actual year of acquisition of the asset.

2. On the facts and circumstances of the case and in law, the Ld. CIT(A) has erred in computing long-term capital gains amounting to Rs. 2,86,99,314/- by taking cost of acquisition for indexation as Rs. 73,36,162/- i.e. WDV as on 31.03.2010 instead of original cost of acquisition and improvement.

3. *On the facts and circumstances of the case as well as law on the subject, the Ld. CIT(A) has erred in not considering that asset has ceased to be part of business assets and hence, section 50C of the Act is not applicable.*

4. *It is prayed that the addition made by the Assessing Officer may kindly be deleted considering the facts and evidence on record.*

5. *Appellant craves leave to add, alter or delete any ground(s) either before or in the course of hearing of the appeal.”*

3. At the outset, delay of 426 in filing of present appeal is hereby condoned in light of Affidavit and application for condonation of delay filed by the assessee stating that notices were sent on incorrect e-mail id.

On Merits

4. The brief facts of the case are that the assessee filed its return of income for A.Y. 2016–17 declaring total income of ₹99,56,950/-. The case was selected for scrutiny and the assessment was completed under section 143(3) of the Income-tax Act, 1961 (“the Act”). During the course of assessment proceedings, the Assessing Officer examined the transaction relating to sale of an immovable property which was earlier used for business purposes and formed part of the block of depreciable assets. The Assessing Officer noted that the assessee had claimed depreciation on such asset in earlier years and therefore invoked the provisions of section 50 of the Act. Applying the deeming fiction under section 50 of the Act, the Assessing Officer treated the entire capital gain arising on sale of the property as Short-Term Capital Gain (STCG), irrespective of the period of holding. The Assessing Officer did not accept the assessee’s position that the asset was held for a long period and that the nature of gain should be treated accordingly. Thus, the Assessing Officer computed the gain as

STCG and made an addition of ₹3,59,64,670/- to the income of the assessee, adopting an interpretation that once an asset falls within the block of depreciable assets, section 50 of the Act automatically mandates taxation as short-term capital gain irrespective of the holding period or other provisions.

5. Aggrieved by the assessment order, the assessee preferred an appeal before the Commissioner of Income Tax (Appeals). Before the CIT(Appeals), the assessee made detailed submissions challenging both the legal and computational approach adopted by the Assessing Officer. The assessee contended that section 50 of the Act creates only a limited deeming fiction for the purpose of computation of capital gains and does not alter the inherent character of the asset as a long-term capital asset if it has been held for more than the prescribed period. The assessee pointed out that depreciation had been claimed only up to 31.03.2010 and no depreciation was claimed thereafter, whereas the property was sold in F.Y. 2015–16, thereby clearly satisfying the condition of long-term holding. The assessee further submitted that the benefit of long-term capital gains, including the concessional rate of tax under section 112 of the Act and indexation, should be allowed. The assessee made an alternative claim that if depreciation was considered relevant, then the benefit of depreciation for intervening years should also be examined.

6. The CIT(Appeals), after carefully considering the submissions and examining the statutory provisions as well as judicial precedents, undertook a detailed analysis of the scope and applicability of section 50

of the Act. The CIT(Appeals) observed that the central issue revolves around the interpretation of section 50 of the Act and its interaction with other provisions of the Act. Relying on binding judicial precedents such as the decision of the Hon'ble Bombay High Court in *CIT vs. Ace Builders Ltd.* (281 ITR 410) and tribunal decisions viz *Mahindra Freight Carriers* and *Prabodh Investment & Trading Co.*, the CIT(Appeals) held that the deeming fiction under section 50 of the Act is restricted only to the computation mechanism under sections 48 and 49 of the Act and does not extend to determine the nature of capital gain for all purposes of the Act. The CIT(Appeals) held that even if capital gains are computed under section 50 of the Act, the asset can still be regarded as a long-term capital asset for purposes such as taxation rate and eligibility under other provisions, provided the period of holding exceeds the prescribed threshold.

7. Applying this legal principle to the facts of the case, the CIT(Appeals) noted that the property had been held for more than three years from the date on which depreciation was last claimed and therefore qualified as a long-term capital asset. Accordingly, the CIT(Appeals) rejected the approach of the Assessing Officer in treating the gain entirely as STCG and held that while computation would be governed by section 50 of the Act, the rate of tax applicable would be that of long-term capital gains under section 112 of the Act.

8. On the issue of cost of acquisition, the CIT(Appeals) did not accept the assessee's contention of adopting original purchase cost and held that

since depreciation had been claimed in earlier years, the Written Down Value (WDV) as on 31.03.2010 amounting to ₹73,36,162/- should be taken as the cost of acquisition. This finding is consistent with the settled legal position that once depreciation has been claimed, the WDV becomes the deemed cost for computing capital gains. The CIT(Appeals) also examined the audited financial statements and noted that the assessee's own Chartered Accountant had disclosed profit on sale of fixed assets, thereby corroborating the existence and quantum of capital gains. Further, the claim of cost of improvement was rejected on the ground that no documentary evidence was furnished and such claim was not reflected in the audited accounts, indicating lack of substantiation.

9. After carrying out the recomputation, the CIT(Appeals) determined the Long-Term Capital Gain at ₹2,86,99,314/- by applying indexation to the WDV and accordingly restricted the addition made by the Assessing Officer from ₹3,59,64,670/- (treated as STCG) to ₹2,86,99,314/- (treated as LTCG). Thus, substantial relief was granted to the assessee by correcting the legal characterization of the gain and partially modifying the computation. The CIT(Appeals) further held that levy of interest under sections 234A, 234B, 234C and 234D is mandatory and consequential in nature and directed the Assessing Officer to recompute the same in accordance with law.

10. The assessee is in appeal before us against the order passed by CIT(Appeals) partly allowing the appeal of the assessee.

11. We have heard the rival contentions and perused the material on record. On careful consideration of the facts and legal position, we find no infirmity in the order passed by the learned CIT(Appeals).

12. Firstly, we note that the learned CIT(Appeals) has adopted a very reasonable, balanced and well-reasoned approach by taking into account all relevant aspects of the matter, including the statutory provisions, factual matrix and binding judicial precedents. The learned CIT(Appeals) has correctly appreciated that the provisions of section 50 of the Act create a limited deeming fiction only for the purpose of computation and has harmoniously applied the same with other provisions of the Act, thereby arriving at a fair conclusion.

13. Secondly, we observe that the assessee has failed to furnish any documentary evidence whatsoever in support of the claim of cost of improvement. In absence of any supporting material or disclosure in the audited financial statements, both the Assessing Officer as well as the learned CIT(Appeals) were fully justified in rejecting such claim. It is a settled principle under the Act that any deduction or claim must be substantiated with proper evidence, and in the absence of the same, no benefit can be granted merely on assertions.

14. Thirdly, we find merit in the reasoning of the learned CIT(Appeals) that the assessee cannot be permitted to take double or inconsistent benefits in respect of the same asset. The assessee had already claimed depreciation on the asset up to assessment year 2010–11 and thereby reduced the value

of the asset through the mechanism of block of assets. Having availed such benefit, the assessee cannot now seek to adopt the original cost from a much earlier year, such as F.Y. 2005–06, for the purpose of claiming indexation benefits. This would amount to claiming depreciation benefits on one hand and simultaneously seeking enhanced indexed cost on the other hand right from A.Y. 2005-06, which is not permissible under the scheme of the Act. The approach adopted by the learned CIT(Appeals) in considering the Written Down Value as on 31.03.2010 as the cost of acquisition is legally sound and in accordance with established principles governing depreciable assets.

15. We further note that the learned CIT(Appeals) has also relied upon the audited financial statements wherein the assessee's own Chartered Accountant has disclosed profit on sale of fixed assets, thereby corroborating the existence and quantification of capital gains. This lends further credibility to the findings recorded by the learned CIT(Appeals). Further, the learned CIT(Appeals) has correctly applied indexation to the WDV and computed the long-term capital gains in a manner consistent with law, while also ensuring that the computation does not result in any unintended or excessive benefit to the assessee.

16. We are of the considered view that the approach adopted by the learned CIT(Appeals) is correct that the scheme of taxation of depreciable assets under section 50 of the Act is not distorted. We are of the considered view that that CIT(Appeals) has maintained a balance between allowing legitimate relief to the assessee and preventing undue advantage arising

from selective application of provisions. The assessee's contention, if accepted, would lead to an anomalous situation where depreciation benefits are availed in earlier years and yet the original cost is revived for purpose of indexation benefits, which in our view is contrary to the intent of the Act.

17. In view of the above discussion, we are of the considered opinion that the order of the learned CIT(Appeals) does not call for any interference.

18. Accordingly, the appeal filed by the assessee is dismissed.

This Order is pronounced in the Open Court on	21/04/2026
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Sd/-
(NARENDRA P. SINHA)
ACCOUNTANT MEMBER

Ahmedabad; Dated 21/04/2026

TANMAY, Sr. PS

TRUE COPY

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

1. अपीलार्थी / The Appellant
2. प्रत्यर्थी / The Respondent.
3. संबंधित आयकर आयुक्त / Concerned CIT
4. आयकर आयुक्त(अपील) / The CIT(A)-
5. विभागीय प्रतिनिधि, आयकर अपीलीय अधिकरण, अहमदाबाद / DR, ITAT, Ahmedabad
6. गार्ड फाईल / Guard file.

Sd/-
(SIDDHARTHA NAUTIYAL)
JUDICIAL MEMBER

आदेशानुसार/ BY ORDER,

उप/सहायक पंजीकार (Dy./Asstt.Registrar)
आयकर अपीलीय अधिकरण, अहमदाबाद / ITAT, Ahmedabad