



आयकर अपीलिय अधिकरण "एफ़" न्यायपीठ मुंबई में।

**IN THE INCOME TAX APPELLATE TRIBUNAL  
MUMBAI BENCH "F", MUMBAI**

श्री अमित शुक्ला, न्यायिक सदस्य एवं

श्री अशवनी तनेजा, लेखा सदस्य के समक्ष ।

**BEFORE SHRI AMIT SHUKLA, JUDICIAL MEMBER  
AND SHRI ASHWANI TANEJA, ACCOUNTANT MEMBER**

**ITA No. : 7474/Mum/2010**

(Assessment year: 2004-05)

**ITA No. : 2942/Mum/2010**

(Assessment year: 2005-06)

यूनीलीवर इंडस्ट्रीज़ प्राइवेट लिमिटेड M/s Unilever Industries P Ltd, Unilver House, B D Sawant Marg, Chakala, Andheri (East), Mumbai -400 099 PAN: <b>AAACU 0791 P</b>	<b>Vs</b>	Addl. CIT- Rg -1(3), Aayakar Bhavan, Mumbai -400 020
अपीलार्थी (Appellant)		प्रत्यर्थी (Respondent)
अपीलार्थी की ओर से Assessee by	:	श्री पी जे पारडीवाला और श्री निशित ठक्कर Shri P J Pardiwalla & Shri Nishit Thakkar
प्रत्यर्थी की ओर से Revenue by	:	श्री एस पंडियन Shri S Pandian

सुनवाई की तारीख /Date of Hearing : 21-07-2016

घोषणा की तारीख /Date of Pronouncement : 26-08-2016

आदेश

**ORDER**

श्री अमित शुक्ला, न्या. स.

**PER AMIT SHUKLA, J.M.:**

The aforesaid appeals have been filed by the assessee against separate impugned orders dated 11.08.2010 and 18.01.2010 passed by Id. CIT(Appeals), Mumbai for the quantum of assessment passed under section 143(3) for the assessment year 2004-05 and 2005-06 respectively. Since

यूनीलीवर इंडस्ट्रीज़ प्राइवेट लिमिटेड  
M/s Unilever Industries P Ltd,

common issues are involved in both the appeals, therefore, same were heard together and are being disposed off by way of this consolidated order.

2. We will first take-up appeal for the AY 2004-05, being ITA No.7474/Mum/2010, vide which following grounds have been raised:-

1. *“The learned CIT (A) erred in facts and law in upholding that the payments made for collaborative projects are expenditure to acquire know-how and disallowable as capital expenses.*

1.1 *The learned CIT (A) failed to appreciate that the appellant being engaged in the business of rendering research services the following payments are incurred in the normal course of business:*

Sr. No.	Particulars	Amount (Rs.)
1	Sofia University, Bulgeria	12,637
2	Nimhans, Bangalore	2,25,000
3	Indian Institute of Science, Bangalore	62,000
4	Indian Institute of Technology, Mumbai	5,14,054
5	Madurai Kamaraj University, Madurai	8,00,000
6	Tata Institute of Fundamental Research	6,70,715
7	Indian Institute of Technology, New Delhi	2,21,667
8	University of Agricultural Science, Bangalore	7,06,992
9	Unilever Portsunlight, UK	83,992
10	Advanced Product Design & Prototyping	90,000
11	Prof. Vinod R. Kanetkar	2,59,200
12	Indian Institute of Technology, Kanpur	2,75,000
13	ERM India Private Limited	1,41,620
14	Chemical Process Engineers	32,400
15	Chandavarkar & Thacher Architect P. Ltd.	54,419
16	Avestha Gengrain Technologies P. Ltd.	19,200
	<b>Total Rs.</b>	<b>41,68,896</b>

1.2 *That the learned CIT (A) failed to appreciate that the appellant was engaged in the business of rendering research service and the appellant had outsourced some of the activities to various parties based on agreements with each of these parties in the normal course of business.*

1.3 *Without prejudice to the above, having held that above as capital expense, the learned CIT (A) erred in not allowing the same u/s 35 (1) (iv) of the Act.*

1.4 *Without prejudice to the above, the learned CIT(A), having held that the above expenses are capital in nature,*

## यूनीलीवर इंडस्ट्रीज़ प्राइवेट लिमिटेड

M/s Unilever Industries P Ltd,

*erred in not allowing depreciation u/s 32 of the Income-tax Act.*

*2. The learned CIT (A) erred in confirming disallowance under section 14A of the Income-tax Act, 1961.*

*2.1 He failed to appreciate that the investments on which appellant earned tax-free dividend were investments made by the appellant out of its own funds in earlier years and no recurring expenditure is necessary for such investment.*

*2.2 He failed to appreciate that the appellant does not incur any expenditure for earning / realizing the dividend.*

*2.3 He failed to appreciate that the assessing officer has not recorded any satisfaction as to correctness of the claim of the appellant as required under the provision of the Act and therefore such disallowance was arbitrary and bad in law.*

*2.4 Without prejudice to above the learned CIT (A) grossly erred both in law and on facts in making an enhancement in the disallowance u/s 14A of the Act from Rs. 3,50,000 made in the assessment u/s 143(3) of the Act to Rs. 12,93,000.*

*2.5 The learned CIT (A) grossly erred on law and in facts in holding that Rule 8D r.w.s. 14A(2) of the Act is applicable on A.Y. 2004-05.*

*2.6 He failed to appreciate that provision of Rule 8D were notified on 24th March 2008 and therefore had no application to the year under consideration.*

*27. He failed to appreciate that section 14A(2) was itself inserted by the Finance Act, 2006 w.e.f. 1.4.2007 thus cannot be made applicable for the Assessment year prior to Assessment year 2007-08.*

*3. The CIT (A) erred in holding that the payment of Rs. 27,33,325 made on account of registration of patents is capital in nature.*

*3.1 He failed to appreciate that the patents were developed by the appellant in the normal course of its research business and not acquired.*

*3.2 He failed to appreciate that the appellant is in the business of providing research services and work on cost plus fee model, therefore had recovered the entire cost (including registration charges of patents) along with the mark up.*

*The appellant craves leave to add to, alter or amend all or any of the aforesaid grounds of appeal”.*

## यूनीलीवर इंडस्ट्रीज़ प्राइवेट लिमिटेड

M/s Unilever Industries P Ltd,

3. Brief facts *qua* the first issue raised in ground No.1 and sub-grounds are that assessee company is engaged in the business of providing global research services. The assessee during its normal course of business, outsources and hires consultants for carrying out some of the research activities. During the year the assessee had incurred sum of Rs.54.78 lacs towards payment made to various Institutions/individuals for research and technical services rendered by various parties as given below:-

Sr	Particulars	Amount (Rs.)
1	Sofia University, Bulgeria	12,637
2	Nimhans, Bangalore	2,25,000
3	Sai Naren Consultants Pvt. Ltd.	6,62,416
4	Indian Institute of Science, Bangalore	62,000
5	Indian Institute of Technology, Mumbai	5,14,054
6	Dr. Peter Garrett, UK	3,92,248
7	Dr. C. Manohar, Mumbai	70,000
8	Madurai Kamaraj University, Madurai	8,00,000
9	Tata Institute of Fundamental Research	6,70,715
10	Indian Institute of Technology, New Delhi	2,21,667
11	Dr. N.C. Debnath	45,000
12	University of Agricultural Science, Bangalore	7,06,992
13	Unilever Portsunlight, UK	83,992
14	Advanced Product Design & Prototyping	90,000
15	Prof. Vinod R. Kanetkar	2,59,200
16	Indian Institute of Technology, Kanpur	2,75,000
17	S. Narayana	21,000
18	Thanawala Consultancy, Mumbai	8,000
19	ERM India Private Limited	1,41,620
20	Chemical Process Engineers	32,400
21	Indica Research Pvt. Ltd.	90,720
22	B. Kothanda Pani	19,800
23	Chandavarkar & Thacher Architect P. Ltd.	54,419
24	Avestha Gengrain Technologies P. Ltd.	19,200
	<b>Total Rs.</b>	<b>54,78,080</b>

4. Before the AO, it was submitted by the assessee that, above payment were incurred during the year for technical services rendered by the aforesaid parties, therefore, same are allowable as revenue expenditure under section 37(1). However, the AO noted that similar nature of payment was

यूनीलीवर इंडस्ट्रीज़ प्राइवेट लिमिटेड

M/s Unilever Industries P Ltd,

examined in the earlier years, wherein, after detailed discussion it was held that the payment made were to acquire know-how which is an intangible asset and, therefore, capital in nature as per the provision of section 35AB. Accordingly, he disallowed the same and added back to the total income.

5. Before the CIT(A), the assessee had submitted and stated as under:-

*“- The expenditure on fees and other costs to the external agencies/experts is incurred in the normal course of the - appellants' research business and is deductible as such.*

*-The appellant is providing research services to its group company i.e. Unilever based on the agreement entered between the appellant and the Unilever Dated 16.11.2000. The appellant had outsourced some of the activities to various parties based on agreements with each of these parties in the normal course of business.*

*-The appellant company has recovered the entire expenditure from Unilever P/c along with a mark-up as per the aforesaid agreement.*

*-The provisions of section 35AB are inoperative for the relevant previous year and therefore reliance placed by the ACIT on those provisions is not relevant.*

*- Without prejudice to above the learned AC failed to appreciate that the payment of Rs. 6,62,4161- made to Sal Naren Consultants P Ltd were merely for market research services / skin clinical trials and not for any scientific research services therefore he ought to have held the same*

यूनीलीवर इंडस्ट्रीज़ प्राइवेट लिमिटेड

M/s Unilever Industries P Ltd,

*as revenue expense and allowed the same. Further, he failed to appreciate that the services provided by individual consultants e.g. Dr. Peter Gerrett, UK, Dr. C. Manohar, Dr. N C Debnath was in the nature of consultancy and ought to have allowed the same as revenue expense.*

*-Without prejudice to above, he failed to appreciate that consultancy charges paid to Mr. S Narayan towards sales tax consultancy, to Thanawala Consultancy towards actuarial valuation of retirement and other benefits to employees, to India Research and B. Kothanda pani for market research and testing etc can not in any sense be deemed as capital expense. There are incurred in the normal course of business and ought to have allowed by the learned AC as revenue expense.*

- *Without prejudice to the above, the learned ACIT having held that above as capital expense, erred in law allowing the same u/s 35(1)(iv) of the Act.*
- *Without prejudice to anything said above he ought to have allowed depreciation u/s 32 on the same”.*

6. However, the Ld. CIT(A) relying upon the earlier order of the CIT(A) for the assessment year 2000-01 to 2003-04 confirmed the said addition, however, with regard to payment for sales-tax consultancy, seeking clinical trial etc. he held that it will not fall within the category of “capital expenditure” and accordingly, the AO should allow the same. Accordingly, the disallowance was restricted to Rs.41,61,896/- as per the details given in the grounds incorporated above.

यूनीलीवर इंडस्ट्रीज़ प्राइवेट लिमिटेड  
M/s Unilever Industries P Ltd,

7. Before us Ld. Senior Counsel, Mr. Pardiwalla, submitted that, the Tribunal in assessee's own case for the assessment years 2000-01 and 2001-02 had set aside the matter to the file of the AO to examine the issue in the light of the agreement entered with the parties and also considering the objects of the assessee as per the MoA. Similar directions were given in the AY 2003-04 also. In support, he filed the copy of the Tribunal orders in ITA Nos. 5461/Mum/2004, 1409/Mum/2005, 996/Mum/2006, order dated 27.08.2014 and order dated 08.01.2016 in ITA 1936/Mum/ for AY 2003-04. He further pointed out that in pursuance of the Tribunal order; the AO has passed fresh assessment / consequential order, wherein, he has allowed the claim of the assessee. Even in latest assessment order, the AO has not made any such disallowance. Accordingly, he submitted that, there is no requirement for setting aside the matter back to the AO in this year and same should be allowed, because, the Department has already allowed this issue in favour of the assessee.

8. Ld. DR also admitted that, this issue had come-up before the Tribunal in the earlier years and submitted that, same should be set aside to the file of the AO.

9. After considering the relevant finding given in the impugned order for the earlier years, we find that both the AO as well as the Ld. CIT(A) have followed the earlier years' orders of the AO as well as CIT(A) for the assessment year 2003-04 as a precedence. In the assessment years 200-01 &

2001-02 the Tribunal has set aside the matter to the file of the AO after observing and holding as under:-

*“8. We have considered the rival submissions and carefully perused the orders of the authorities below. As per the Memorandum of Association of the assessee, it is not in dispute that one of the objects of the assessee company is to conduct scientific technical and industrial research. After a careful perusal of the assessment order and the order of the Ld. CIT(A), we find that none of these authorities have discussed the Research agreement dt. 16.11.2000 which is between Unilever PLC and Unilever N.V and the assessee. Under the head ‘scope’ this agreement clearly provides for the services to be rendered by the assessee to Unilever group of companies for which ‘fees’ have been provided. We, further find that there is a specific clause in this agreement relating to ‘intellectual property rights’. We find that none of the revenue authorities have considered the facts of the case in the light of this agreement of the assessee. In our considered opinion, the matter needs to be decided afresh in the light of this agreement dt. 16.11.2000.*

*8.1 In the interest of justice and fair play, we restore this issue to the file of the AO. The AO is directed to decide this issue afresh considering the agreement dt. 16.11.2000 vis-a-vis objects of the assessee as per Memorandum of Association, after giving reasonable and fair opportunity of being heard to the assessee.*

*8.2. While deciding this issue afresh, the AO is also directed to consider the additional plea of the assessee u/s. 35(1)(ii) and Sec. 35(1)(iv) of the Act as per provisions of law. Ground*

यूनीलीवर इंडस्ट्रीज़ प्राइवेट लिमिटेड

M/s Unilever Industries P Ltd,

*No.1 along with additional grounds are allowed for statistical purpose”.*

Similar direction has been followed by the Tribunal in the AY 2003-04 also. Now, it has been informed by the Ld. Senior Counsel that in pursuance of the Tribunal order, the AO after detailed examination has allowed this expenditure as revenue expenditure. Even in the latest assessment order, no such disallowance has been made. Thus, this issue stands covered in favour of the assessee by the final finding arrived at in the earlier years by the AO and accordingly, we direct the AO that on similar lines, the expenditures aggregating to Rs.41,68,896/- made to various parties, which has been disputed before us should be allowed as ‘revenue expenditure’. Accordingly, ground no.1 to 1.4 is treated as allowed.

10. The second issue which has been raised in ground No.2.1 to 2.7 relates to disallowance of Rs.3,50,000 made under section 14A.

11. The AO noted that, assessee has received tax free dividend income of Rs.35 lakhs from M/s Digital Securities P Ltd, which was acquired in the earlier years out of its surplus funds, however, the AO held that since assessee is not maintaining any separate account for dividend income and has failed to furnish the details of relatable expenditure incurred for the purpose of earning dividend income, he accordingly estimated the disallowance @10% of the dividend income.

12. The Ld. CIT(A), held that disallowance has to be made in accordance with Rule 8D and in support of his conclusion, he relied upon the decision of Special Bench in the case of Daga Capital Management Pvt Ltd., reported in [2009] 117 ITD 169 and accordingly, enhanced the disallowance to Rs.12,93,000/-/

13. Before us, Mr. Pardiwalla stated that, *firstly*, in the earlier years, the Tribunal has confirmed the disallowance at @ 5% of the dividend income and *secondly*, Rule 8D cannot be held to be applicable in the impugned assessment year 2004-05.

14. On the other hand, Ld. DR strongly relied upon the order of the CIT(A).

15. After considering the aforesaid submission and on perusal of the impugned order, we find that, so far as enhancement made by the Ld. CIT(A) in the disallowance made under section 14A by invoking Rule 8D, the same is not maintainable, because, now it is settled law by the Hon'ble Jurisdictional High Court in Godrej & Boyce Manufacturing Co. Ltd. vs. CIT, reported in 328 ITR 83, that Rule 8D is applicable from assessment year 2008-09 and from the earlier years. So far as quantum of disallowance is concerned, it has to be seen that on the facts whether some reasonable disallowance is called for or not. Looking to the facts and circumstances of the case, we find that the Tribunal in the earlier years has upheld the disallowance of 5% of the dividend income, therefore, following the same precedence, we

यूनीलीवर इंडस्ट्रीज़ प्राइवेट लिमिटेड  
M/s Unilever Industries P Ltd,

also hold that, disallowance under section 14A should be restricted to 5% of the dividend income. Accordingly, ground no.2 to 2.7 are treated as partly allowed.

16. As regards the third issue relating to disallowance of payment of Rs.27,33,325/- on account of registration of patents being capital in nature, the Ld. Senior Counsel submitted that, this issue too was set aside by the Tribunal in the earlier years to the file of the AO. In pursuance of the Tribunal order, assessment order has been passed, wherein, this issue has been allowed in favour of the assessee.

17. Ld. DR submitted that, this matter should also be restored back to the file of the AO, as has been done by the Tribunal in the earlier years.

18. From the perusal of the impugned order, it is seen that, assessee had incurred sum of Rs.27,33,325/- on account of registration of patents charges which has been included under the head "miscellaneous expenses". The AO held that, the same is capital in nature being incurred for plant and machinery. The assessee's case before the authorities below was that, it has merely recovered the entire cost incurred for registration of patents from Unilever with mark-up pursuant to research agreement with them, therefore, same should be allowed as 'revenue expenditure'. However, the Ld. CIT(A) too confirmed the said addition holding that, it is a capital expenditure, however, directed the AO to allow depreciation.

19. We find that, Tribunal in the AY 2000-01 had set aside similar issue to the file of the AO to decide the issue

## यूनीलीवर इंडस्ट्रीज़ प्राइवेट लिमिटेड

M/s Unilever Industries P Ltd,

after considering the material on record as well as agreement under the head “intellectual property rights”. In pursuance of said direction, the AO has allowed the said expenditure as revenue expenditure vide order dated 08.01.2015 passed under section 143(3) / 254. Thus, following the earlier years’ precedence, which is applicable on the facts of the present year also, we direct the AO to allow the same as revenue expenditure in line with earlier years. Accordingly, ground no.3 is allowed.

20. In the result, appeal of the assessee is partly allowed.

21. Now, we will take-up ITA No.2942/Mum/2010, wherein the assessee has raised following grounds:

*“The learned CIT (A) erred in facts and law in upholding that the payments made for collaborative projects are expenditure to acquire know-how and disallowable as capital expenses.*

*1.1 The learned CIT (A) failed to appreciate that the appellant being engaged in the business of rendering research services the following payments are incurred in the normal course of business:*

Sr	Particulars	Amount (Rs.)
1	Sai Naren Consultants Pvt Ltd.	10,54,486
2	Indian Institute of Science	90,000
3	Indian Institute of Technology, Mumbai	5,13,290
4	B.V. Bhide Foundation	1,75,000
5	Madurai Kamaraj University	8,00,000
6	Tata Institute of Fundamental Research	11,69,500
7	Tata Institute of Fundamental Research	50,463
8	Dr. Vaishali (TIFR)	33,600
9	Dr. Ashok Vaidya (TIFR)	1,50,000
10	Dr. P.R. Krishnaswamy	3,00,000
11	University of Agricultural Science	2,23,000
12	Indian Institute of Technology, Kanpur	8,25,000
13	Others – Misc.	1,85,811
	<b>Total Rs.</b>	<b>55,70,150</b>

## यूनीलीवर इंडस्ट्रीज़ प्राइवेट लिमिटेड

M/s Unilever Industries P Ltd,

1.2 That the learned CIT (A) failed to appreciate that the appellant was engaged in the business of rendering research service and the appellant had outsourced some of the activities to various parties based on agreements with each of these parties in the normal course of business.

1.3 Without prejudice to the above, having held that above as capital expense, the learned CIT (A) erred in not allowing the same u/s 35 (1) (iv) of the Act.

1.4 He ought to have allowed the same u/s 35(1)(iv) of the Act.

1.5 The learned CIT (A) having held that the above expenses are capital in nature, erred in not allowing depreciation u/s 32 of the Income-tax Act.

1.6 Without prejudice to above, the learned CIT(A) having followed the order in respect of AY 2002-03, failed to appreciate and ought to have at least allowed payment to individual consultants as was allowed in the AY 2002-03.

2. The learned CIT (A) erred in confirming disallowance under section 14A of the Income-tax Act, 1961.

2.1 He failed to appreciate that the investments on which appellant earned tax-free dividend were investments made by the appellant out of its own funds in earlier years and no recurring expenditure is necessary for such investment.

2.2 He failed to appreciate that the appellant does not incur any expenditure for earning / realizing the dividend.

2.3 The learned CIT(A) grossly erred on law and in facts in holding that Rule 8D r.w.s. 14A(2) of the Act is applicable AY 2005-06.

2.4 He failed to appreciate that the assessing officer has not recorded any satisfaction as to correctness of the claim of the appellant as required under the provision of the Act and therefore such disallowance was arbitrary and bad in law.

2.5 He failed to appreciate that provision of Rule 8D were notified on 24<sup>th</sup> March, 2008 and therefore had no application to the year under consideration.

2.6 Without prejudice to above, he failed to appreciate that section 14A(2) was itself inserted by the Finance Act 2006

यूनीलीवर इंडस्ट्रीज़ प्राइवेट लिमिटेड

M/s Unilever Industries P Ltd,

w.e.f. 1.4.2007 thus applicable only for the Assessment year 2007-08 onwards.

3. That on the facts and circumstances of the case the learned CIT(A) erred in confirming the disallowance of Rs.9,44,174/- out of traveling and motor car expenses by treating the same as expenditure incurred for non business and personal in nature.

3.1 He failed to appreciate that the estimated disallowance of Rs.9,44,174/- made by the Assessing Officer was based on no fact but surmises and conjectures.

3.2. The following observations of the learned CIT(A) in the order are perverse, arbitrary, baseless and misleading and ought to be quashed:-

“The observations of the Assessing Officer in the order of assessment have not been challenged. By implication, appellant is admitting that voucher in respect of petty expenses have not been prepared and maintained. Appellant is therefore also admitting that the purpose of visit in respect of Directors and Managing Directors travelling to various places is not identifiable. That also means that it is admitted that log book in respect of movement of vehicles has not been maintained.

3.3 The CIT(A) failed to appreciate that the accounts of the appellant has been audited as provided under 44AB. The auditors have verified all the vouchers and certified that no expenditure of personal nature is debited to the Profit and Loss account.

3.4 He grossly erred in law in holding that ad-hoc disallowance made by the Assessing Officer is perfectly justified.

4. The learned CIT(A) erred in confirming the ad-hoc disallowance of Rs.2,49,100/- being 10% of expense incurred on printing and stationery, business meetings/ conference and selection and training.

4.1 He failed to appreciate that the estimated ad-hoc disallowance of Rs.2,49,100/- made by the Assessing Officer was based on no fact but surmises and conjectures.

यूनीलीवर इंडस्ट्रीज़ प्राइवेट लिमिटेड

M/s Unilever Industries P Ltd,

4.2 *The CIT(A) failed to appreciate that the accounts of the appellant has been audited as provided under section 44AB. The auditors have verified all the vouchers and certified that no expenditure of personal nature is debited to the Profit and Loss account. He erred in holding that audit of the accounts is of no significance”.*

*patents were developed by the appellant in the normal course of its research business and not acquired.*

3.2 *He failed to appreciate that the appellant is in the business of providing research services and work on cost plus fee model, therefore had recovered the entire cost (including registration charges of patents) along with the mark up.*

*The appellant craves leave to add to, alter or amend all or any of the aforesaid grounds of appeal”.*

22. It has been admitted by both the parties that ground No.1 and 2 are similar to the grounds raised in earlier years. Accordingly, in line with the decision given in the aforesaid appeal, we hold that, so far as the payments made for rendering of research services of Rs.55,70,150/- is concerned, same is to be allowed as revenue expenditure. The disallowance under section 14A too shall be restricted to 5% of the dividend income. Thus, ground No.1 is allowed and ground No.2 is treated as partly allowed.

23. In ground No. 3, the assessee has challenged the disallowance of travelling and motor car expenses by treating the same for non-business and personal in nature.

24. The AO while making the disallowance, noted that, the Directors' and the Managing Directors' have not stated the purpose of visit to any place and log book has not been maintained in respect of the vehicles used by them. Thus, in such a situation, quantum of non-business and personal

यूनीलीवर इंडस्ट्रीज़ प्राइवेट लिमिटेड

*M/s Unilever Industries P Ltd,*

expenditure cannot be ascertained. Accordingly, he proceeded to make ad-hoc disallowance of 10% of the total expenses. The Ld. CIT(A) too has confirmed the said disallowance.

25. Before us, the Ld. Senior Counsel submitted that, admittedly, these expenditures have been incurred by the employees and, therefore, so far as assessee-company is concerned, how it can be held for non-business purpose or personal in nature. So far as the company is concerned, it has booked the expenditure based on actual vouchers; therefore, no disallowance should be made.

26. On the other hand, Ld. DR relied upon the order of the CIT(A).

27. We find that, assessee is a corporate entity and the expenditure debited are in the nature of travelling and motor car expenses which are, admittedly for the employees of the assessee company. Once the expenditure are incurred by the employees then, so far as company is concerned, it cannot be held that it is in personal in nature or non-business-purpose. Thus, we do not find any merit in any such ad-hoc disallowance on such ground. The AO is accordingly is directed to delete the said disallowance.

28. Similarly in ground No.4, ad-hoc disallowance of Rs.2,49,100/- being 10% of the expenditure incurred on printing and stationery, business meetings and conferences etc. has been made. The AO has made disallowance on the ground that the details placed by the assessee could not reveal any nexus of expenditure incurred in connection with

यूनीलीवर इंडस्ट्रीज़ प्राइवेट लिमिटेड

M/s Unilever Industries P Ltd,

the business of the assessee. The assessee has not satisfactory provided the details and particularly the purpose and business exigencies of these expenditures. Accordingly, he made ad-hoc disallowance of 10%. The assessee's case before the authorities below was that, these expenditures are incurred in the ordinary course of the business which is for recruitment and training of employees. The assessee has been maintaining regular books of accounts and all the expenses debited have been fully vouched which has been duly subjected to audit. Therefore, no such ad-hoc disallowance should be made.

29. The Ld. CIT(A) too has confirmed the said disallowance.

30. After considering the relevant finding given in the impugned orders, the submissions made by the parties, we find no reason to upheld such ad-hoc disallowance, *firstly*, expenditure on printing, stationery, on business meetings /conferences and for selection and training of employees cannot be held for non-business purpose, especially for the company like assessee nor it can be held that, they do not have any nexus with the business of the assessee. These are routine and regular business expenditure in a corporate set-up, who are carrying out full-fledged business activities; *secondly*, what is absence of nexus between the expenses and the business has not been specified by the AO, therefore, on this reasoning such disallowance cannot be upheld. Accordingly, we direct the AO to delete the ad-hoc disallowance of Rs.2,49,000/-.

31. In the result, appeal of the assessee is partly allowed.

यूनीलीवर इंडस्ट्रीज़ प्राइवेट लिमिटेड

M/s Unilever Industries P Ltd,

To sum-up:-

Both the appeals of the assessee stands partly allowed.

Order pronounced in the open court on 26<sup>th</sup> August, 2016.**Sd/-**

(अशवनी तनेजा)

लेखा सदस्य

**(ASHWANI TANEJA)****ACCOUNTANT MEMBER****Sd/-**

(अमित शुक्ला)

न्याईक सदस्य

**(AMIT SHUKLA)****JUDICIAL MEMBER****Mumbai, Date: 26<sup>th</sup> August, 2016**

प्रति/Copy to:-

- 1) अपीलार्थी /The Appellant.
  - 2) प्रत्यर्थी /The Respondent.
  - 3) The CIT -2/and Concerned\_\_\_, Mumbai.
  - 4) The CIT -1/ and Concerned\_\_\_, Mumbai
  - 5) विभागीय प्रतिनिधि "एफ़ ", आयकर अपीलीय अधिकरण, मुंबई/  
The D.R. "F" Bench, Mumbai.
  - 6) गार्ड फाईल \
- Copy to Guard File.

आदेशानुसार/By Order

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उप/सहायक पंजीकार

आयकर अपीलीय अधिकरण, मुंबई

Dy./Asstt. Registrar

I.T.A.T., Mumbai

\*चव्हान व.नि.स

\*Chavan, Sr.PS