

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

BEFORE SHRI D.T. GARASIA, JUDICIAL MEMBER

**ITA No.4553/M/2017
Assessment Year: 2012-13**

**ITA No.4394/M/2017
Assessment Year: 2013-14**

M/s. Net Tech Services India Pvt. Ltd., Gala No.24, 1 st Floor, Prem Industrial Estate, Subhash Road, Jogeshwari (E), Mumbai-400 060 PAN: AABCN 2023J	Vs.	Income Tax Officer-10(3)(1), Room No.621, Aayakar Bhavan, New Marine Lines, Mumbai – 400 020
(Appellant)		(Respondent)

Present for:

Assessee by : Shri Vimal Punmiya, A.R.

Revenue by : Smt. N. Hemalatha, D.R.

Date of Hearing : 31.10.2017

Date of Pronouncement : 30.11.2017

ORDER

Per D.T. Garasia, Judicial Member:

The above titled appeals have been preferred by the assessee against the common order dated 22.03.2017 of the Commissioner of Income Tax (Appeals) [hereinafter referred to as the CIT(A)] relevant to assessment years 2012-13 & 2013-14.

2. The brief facts of the case are as under:

The return of income was filed on 29.09.2016. During the assessment proceedings the Assessing Officer (hereinafter referred to as the AO) noted that assessee company had debited Rs.27,25,000 shown as payment on account of directors' remuneration who were

actually relatives of the existing directors and remuneration had been paid to them. The AO issued show cause notice and in reply to the show cause notice the assessee submitted that the increase in the directors' remuneration is because of appointment of two new directors who looked after the administrative matters of the office. Even the newly recruited directors are qualified persons. In view of the commercial consideration, the payment of remuneration to newly directors also is justified. The AO did not allow the remuneration but the Ld. CIT(A) has allowed Rs.3 lakhs per annum as it was reasonable remuneration and treated Rs.4,50,000/- as excessive and unreasonable. Therefore, assessee is in appeal before me.

3. The Ld. A.R. submitted that the assessee is a private limited company and is in a business of software maintenance, hardware renting and other allied activities relating to information technology. Assessee's main clients are banks. Assessee had decided to expand the business by entering into data activities. For commencing the new activities directors relating to marketing and personal contacts involved in meeting with prospects of client. The company does not have shareholders from outsider. A share could be allowed to relatives and friends of the employees of the company and Mrs. Sabira Dadani is BA graduate having one of the subjects as the Economics. Having learnt Economics is the best degree for holding the post of director. Mrs. Narmada Ahcar is MA in History and she is holding a post of director for administrative purposes. The Ld. A.R. also submitted that in this modern world many women employee are

drawing much more salaries. Moreover, the Ld. A.R. submitted that in assessment year 2012-13 the net profit has been increased from 10.02 to 19.50. Therefore, the remuneration is justified.

4. The Ld. D.R. has relied upon the order of the Revenue Authorities.

5. I have heard the rival contentions of both the parties. Looking into the facts and circumstances of the case, I find that the assessee has appointed new directors Mrs. Sabira Dadani and Mrs. Narmada Ahcar both are relatives of the main directors. I find that Mrs. Sabira Dadani is BA with Economics and assessee company has larger turnover of business. Therefore, two new directors were appointed. The assessee company is in such a business that company needs 24 hours. Mrs. Sabira Dadani is BA having subject of Economics and she has even travelled to London School of Business and enhanced her job profile. Assessee has entered into data centre activities and for that purpose personal tax is involved with prospect plant. I find that she is qualified director. Moreover, Mrs. Narmada Ahcar has MA with History and she is holding the post as Director for Administrative purposes. I find that assessee's business turnover was increased from Rs.5.39 crores to Rs.8.15 crores from assessment year 2013-14 to 2016-17 and net profit is also increased from Rs.10.02 to Rs.19.50 crores from A.Y. 2012-13 to 2016-17 which are shown in table which reads as under:

Asst. year	Turn over (Cr)	Net Profit (Lac)	Liabilities

2012-13	05.39	10.02	89
2013-14	04.04	13094	1330
2014-15	08.24	18.64	17
2015-16	07.05	14.27	11
2016-17	08.15	19.50	14
Upto Jan-17	09.35	NOT DETERMINED	N.A.

6. I find that company got 60 employees. To keep watch on 60 employees the assessee has appointed two new directors and they are relatives of the main director. Therefore, looking to the facts and circumstances of the case, I find that the remuneration of Rs.7.5 lakhs is reasonable or not that has to be seen as per the service of the directors. I find that Mrs. Sabira Dadani is BA graduate having one of the subjects as the Economics. Today in business module people from Economics are preferred one and they can travel up to London for enhancement in their job profile. Therefore, she can be held in the post of director. In case of Mrs. Narmada Ahcar, she is qualified degree holder and she is fit for administrative purpose. I find that to hold the post of director it is not necessary that she must be having knowledge in that field. I find that both are competent for appointing new directors. The Commissioner has allowed Rs.3 lakhs each as remuneration is reasonable but he has simply considered the remuneration of one female employee only. For running the business, overall situation has to be looked into. The assessee has paid Rs.7,50,000/- per annum to both the directors that is also not possible. Therefore, looking to the present scenario and business of the assessee, the lady directors can look after the business in full time. Therefore, Rs.7 lakhs for each Director is reasonable as per

section 40A(2b) of the Act. Hence, I modify the order of the Commissioner.

7. In the result, both the appeals of the assessee are partly allowed.

Order pronounced in the open court on 30.11.2017.

**Sd/-
(D.T. Garasia)
JUDICIAL MEMBER**

Mumbai, Dated: 30 11.2017.

* Kishore, Sr. P.S.

Copy to: The Appellant
The Respondent
The CIT, Concerned, Mumbai
The CIT (A) Concerned, Mumbai
The DR Concerned Bench

//True Copy//

By Order

Dy/Asstt. Registrar, ITAT, Mumbai.