

आयकर अपीलिय अधिकरण, जयपुर न्यायपीठ, जयपुर
IN THE INCOME TAX APPELLATE TRIBUNAL, JAIPUR BENCH VC 'A', JAIPUR

श्री विजय पाल रॉव, न्यायिक सदस्य एवं श्री विक्रम सिंह यादव, लेखा सदस्य के समक्ष
BEFORE: SHRI VIJAY PAL RAO, JM & SHRI VIKRAM SINGH YADAV, AM

आयकर अपील सं./ITA No. 213/JP/2020
निर्धारण वर्ष/Assessment Year : 2007-08.

M/s. Rajasthan State Mines & Minerals Ltd., Kalani & Co., Chartered Accountants, 5 th Floor, Milestone Building, Gandhinagar Turn, Tonk Road, Jaipur.	बनाम Vs.	The Addl. CIT, Range-6, Jaipur.
स्थायी लेखा सं./जीआईआर सं./PAN No. AAACR 7857 H		
अपीलार्थी / Appellant		प्रत्यर्थी / Respondent

निर्धारित की ओर से / Assessee by : Shri P.C. Parwal (CA)
राजस्व की ओर से / Revenue by : Shri K.C. Gupta (JCIT)
सुनवाई की तारीख / Date of Hearing : 30.07.2020.
घोषणा की तारीख / Date of Pronouncement : 04/08/2020.

आदेश / ORDER

PER VIJAY PAL RAO, JM :

This appeal by the assessee is directed against the order dated 11.12.2019 of Id. CIT (A)-1, Jodhpur for the assessment year 2007-08. The assessee has raised the following grounds :-

- " 1. The LD. CIT (A) has erred on facts and in law in confirming the disallowance of Rs. 5,76,340/- on account of prior period expenses.
2. The LD. CIT (A) has erred on facts and in law in confirming the disallowance of Rs. 10,87,000/- on account of business promotion and social welfare expenses.

3. The assessee craves to amend, alter and modify any of the grounds of appeal.
4. The appropriate cost be awarded to the assessee."

The hearing of the appeal was concluded through Video Conference due to the prevailing situation of COVID 19 Pandemic.

Ground No. 1 is regarding disallowance of prior period expenses which was confirmed by the Id. CIT (A).

2. The assessee company is a Government of Rajasthan Enterprises and engaged in the business of mining, processing and trading of minerals. The assessee filed its return of income on 30th October, 2007 declaring total income of Rs. 98,38,14,112/- which was revised on 30th March, 2009 to total income of Rs. 98,34,77,175/-. During the course of scrutiny assessment, the AO noted that the assessee has claimed deduction for prior period expenses of Rs. 55,03,616/-. The AO asked the assessee to explain why the claim of deduction on prior period expenses should not be disallowed as the assessee has been following the mercantile system of accounting. In reply, the assessee explained that out of the total amount of Rs. 55.04 lacs, a sum of Rs. 18.87 lacs is on account of depreciation which the assessee itself has added back in the computation of total income. As regards the remaining expenses of Rs. 36.17 lacs, the assessee has submitted that it is a State Government Undertaking where the rules for passing the vouchers are very stringent. The process of clearing the bills and vouchers takes time because it is checked whether the claim is as per rules or not. Therefore,

the approval of the appropriate authority is granted after some time. The assessee claimed that some of the expenditures, approval of which have been granted in the current year and therefore, the same are claimed during the year under consideration. The assessee has explained the reasons for claiming these expenses one by one under each head which has been reproduced by the AO in the assessment order. The AO after considering the explanation of the assessee allowed the claim regarding payment to the contractors of Rs. 30,34,372/- and bonus of Rs.3,655/- total amounting to Rs. 30,38,072/- out of Rs. 36,14,367/-. Thus the AO has made a disallowance of Rs. 5,76,340/- on account of prior period expenses. On appeal, the Id. CIT (A) has confirmed the disallowance made by the AO.

3. Before us, the Id. A/R of the assessee has reiterated his contention and explanations as raised before the AO as well as Id. CIT (A). The submissions of the assessee has been reproduced by the Id. CIT (A) in para 7.1 as under :-

Particulars	Amount (Rs.)	Reason
Electricity Expenses	4,47,784/-	The amount was excess paid to the AVVN Limited in April 2004 and parked as advance in the books of accounts of the company with an intention that the company will get the sum received back, however as the company has not received back the money more than 3 years company has write off the expense. As it was decided in the year under consideration to write off the amount it cannot be considered as the prior period expense.(PBP Pg. 16-22)
	6,056/-	Payment was made to the contractor on the basis of bill raised by him for an amount of Rs. 73,057/-. The said bill includes electricity charges for the period 01.04.2004 to 31.03.2005 for an amount of Rs. 6,056/-

		. Since the bill was raised by the party during the year under consideration therefore liability in respect of the expenses accrue and arise in the current year only and same cannot be treated as prior period expense. (Copy relevant papers are enclosed PBP Pg.23-14)
Payment to contractors	46,948/-	Payment was made to M/s. Shubhangi Marketing Services for marketing expenses. As the bill was received during the year under consideration and the same was approved for payment during the year under consideration therefore the liability for expense is crystallized during the year under consideration only and hence the expenditure should not be treated as prior period expense.
Research and Development expenses	29,005/-	The amount consists of 5 petty bills amounting to Rs. 1710/-, 1330/-, 4880/-, 18900/- and Rs. 2185/- being received for payment and approved during the year under consideration. As the bills were received during the year under consideration and the same was approved for payment during the year under consideration therefore the liability for expense is crystallized during the year under consideration only and hence the expenditure should not be treated as prior period expense.
Salary	22,674/-	Amount was paid to Sh. Hajari Lal Jangid, Ex-XEN against pay revision arrear for the period 14.01.1992 to 13.10.1992. Since the payment was approved by the authority on 25.01.2007 therefore it is crystallized in the year under consideration and cannot be regarded as prior period expenses (Copy of note sheet and other relevant papers is enclosed PB Pg. 25-27)
Freight	11,000/-	As the bill was received during the year under consideration and the same was approved for payment during the year under consideration therefore the liability for expense is crystallized during the year under consideration only and hence the expenditure should not be treated as prior period expense.
Repairs & maintenance of Plant and Machinery	6,498/-	As the bill was received during the year under consideration and the same was approved for payment during the year under consideration therefore the liability for expense is crystallized during the year under consideration only and hence the expenditure should not be treated as prior period expense.

Legal and Professional feews	5,000/-	As the bill was received during the year under consideration and the same was approved for payment during the year under consideration therefore the liability for expense is crystallized during the year under consideration only and hence the expenditure should not be treated as prior period expense.
General Charges	1,375/-	Payment was made to M/s. Maruti Nandan Book Binding and Canning Centre, Jaisalmer for photocopy expenses. Bill was raised by the party during the year under consideration and hence the same was approved for payment in the year under consideration. Since the bill was presented and approved in the current year therefore the expenses cannot be said to be prior period in nature. (Copy relevant papers are enclosed PB Pg. 28-32)
	5,76,340/-	

He has further submitted that due to the reasons of vouchers pertained to the last month of the previous financial year and entered in the books of account in the current financial year, therefore, these expenses were claimed in this year as prior period expenses. The assessee has been following a regular system of accounting and all expenses are accounted for after getting approval from the concerned authority. The Id. A/R has relied on the decision of this Tribunal dated 12.02.2016 in assessee's own case for the assessment years 2010-11 and 11-12. He has further submitted that even the AO in the set aside proceedings of assessment year 1995-96 allowed the claim of prior period expenses. He has also relied upon the judgment of Hon'ble Supreme Court in the case of CIT vs. Excel Industries Ltd., 358 ITR 295 (SC) and submitted that when the rate of tax remained the same in the year under consideration and in the preceding

year, then there is no revenue effect. He has also relied upon the judgment of Hon'ble Jurisdictional High Court in case of Pr. CIT vs. Rajasthan State Seeds Corporation Ltd. 386 ITR 267 (Raj.).

4. On the other hand, the Id. D/R has submitted that the assessee himself has admitted the fact that these are prior period expenses not pertaining to the year under consideration. The AO has already allowed the major part of the expenditures where the explanation of the assessee was reasonable as the bills of the contractors were approved by the concerned authorities in the year under consideration. The remaining expenditure which clearly pertains to the earlier year cannot be allowed otherwise it will be violation of rules of mercantile system of accounting and each accounting year is a separate unit. He has relied upon orders of the authorities below.

5. We have considered the rival submissions as well as the relevant material on record. The AO himself has accepted this fact that the bills and vouchers require approval of the concerned authorities before the payment is made by the assessee company being a State Government Enterprise. To check the misuse, misappropriation of funds, there are rules for releasing of payments and hence the approvals of the expenditures take some time. Thus out of the total amount of Rs. 36.17 lacs, the AO himself has allowed a sum of Rs. 30,38,072/- towards payment to contractors and bonus. The AO has given the reasons for allowing the expenditures that the claim of escalation and higher rates were approved by the authorities during the year under consideration, therefore, the expenditures can be treated as allowable. We find that as

regards the other items of expenditure which the AO has disallowed, the assessee has explained the reasons for claiming the said expenditures for the year under consideration as the bills either received during the year under consideration or payments were approved during the year under consideration, therefore, the liability for these expenditures crystallized during the year under consideration. Once these facts are not disputed by the AO that the bills for expenditures are factually approved during the year under consideration, consequently the expenditures crystallized during the year and the same are allowable expenditure. We further note that it is also not in dispute that the assessee is paying the tax at the maximum marginal rate and there is no change in the rate of tax for the year under consideration in comparison to the preceding year. Hence the claim of expenditures for the year under consideration shall have no revenue effect instead of claiming the same in the preceding year. Further, this Tribunal in assessee's own case for the assessment year 2010-11 as well as 2011-12 has considered this issue and decided the same in favour of the assessee. For the assessment year 2011-12 vide order dated 30th May, 2017, the Tribunal has decided this issue in para 81.2 to 81.3 at page 98 of paper book as under :-

“81.2 We have heard the rival contention, we have find that in Ld. CIT has given finding on fact in para 6.1 and 6.2 of his order as under:- “6.1 In this year, the assessee has claimed prior period expenditure of Rs. 1,75,79,531/-. This issue also arose in the cae of appellant in AY 2010-11 and earlier years. The main points of the Assessment order, on this issue, have been narrated in the appeal order of CIT(A)-II, Jaipur (Appeal no. 325/12-13, dated 05.12.2013) for AY 2010-11. The

main points of the submissions of the appellant, on this issue, have been narrated the above appeal order. Therefore, the assessment order and the submissions of the appellant are not being again narrated in this order for the sake of brevity. In AY 2010-11, the CIT(A)-II, Jaipur, has held as under-

“From the submission of the appellant it is clear that Hon’ble ITAT, Jaipur Bench has been allowing Prior Period Expenses in the case of various Government Undertakings in the year in which such expenses are finally sanctioned and approved. Even in the appellant’s own case the issue has been decided in favour of the appellant in AY 2000-01 by Hon’ble Jaipur Bench ITAT vide order dated 22-12-2006. My predecessors have allowed prior period expenses in orders dated 10.08.2011 in AY 2008-09 and 18.10.2012 in AY 2009-10. Respectfully following Hon’ble ITAT’s order in the case of appellant in AY 2000-01 dated 22-12-2006 in ITA No. 600/JP/2003, the AO is directed to delete the addition of Rs. 4,40,113 because the table in the appellant’s submission shows that the liability for the expenses got crystallized in the year under consideration. 6.2 following the above order of CIT(A)-II, Jaipur and the orders of the ITAT, Jaipur, in the case of the assessee, the above disallowance is directed to be deleted. This ground is allowed.”

81.3 This finding is not controverted by the Revenue by placing any contrary material on record and also no change into facts and circumstances is pointed out. Therefore, this ground of the Revenue’s appeal is dismissed.”

Therefore, this issue has been consistently decided by this Tribunal in favour of the assessee. Even for the assessment year 1995-96 the Tribunal set aside this issue to the AO and in the set aside proceedings, the AO has allowed the claim vide order dated 27.07.2007. The reasons given by the AO while allowing the claim for the assessment year 1995-96 in the set aside proceedings are that the expenditures are crystallized during the year under consideration. The relevant part of the order of the AO is reproduced as under :-

“ Reply of the assessee has been examined and found to be acceptable. Bills & vouchers of the expenses narrated have also been examined. Some of them were raised by the parties in the year under consideration some were settled in the year under consideration, so they are found to be crystallized during the year under consideration. As a matter of fact, in public section undertakings there is a long chain of technical and procedural exercise because of which the time lag between the incurrence of expenditure and approval for same is much more and some times staggered in two financial years. But the bottom line is that the expenses have been incurred and that too for the purpose of business and are allowable.

Further this position of allowability of prior period expenses is settled and clear in the assessee's own case for the A.Y. 1994-95 and 1995-96 before the Hon'ble ITAT; and the department has not gone in further appeal before the Hon'ble High Court. Also in cases of other PSUs viz RSEB, RIICO etc., it is a settled position in so far as the allowability of prior period expenses are concerned.”

Therefore, when the liability is crystallized during the year under consideration and the assessee has been regularly and consistently following the same method of accounting and system of approval of the payments, then the claim of expenditures would not affect the tax liability of the assessee. Accordingly, in the facts and circumstances of the case and following the earlier order of this Tribunal, the disallowance made by the AO and sustained by the Id. CIT (A) is deleted.

Ground No. 2 is regarding the disallowance of Business Promotion and Social Welfare Expenses.

6. The AO noted that the assessee has claimed deduction of Rs. 10,87,000/- under the head Business Promotion and Social Welfare Expenses towards the payments made to Federation of Mining Association of Rajasthan, District Police Welfare Fund, District Weight Lifting Association, West Zone Culture Centre, District Vikas Samiti for construction of Community Centre for Police Department, Rose Society, Sangeet Parishad, Mahila Samiti, Government Adarsh Higher Primary School. The AO has disallowed the said amount of Rs. 10,87,000/- on the ground that these expenses are in the nature of donation and not incurred for the purpose of business of the assessee. The assessee has not established that the business of the assessee has derived the benefit out of these expenses. Thus the AO held that the amount has not been incurred wholly and exclusively for the purpose of business. The assessee challenged the action of the AO before the Id. CIT (A) but could not succeed.

7. Before us, the Id. A/R of the assessee has submitted that the assessee incurred expenses towards contribution to Federation of Mining Association of Rs. 5,00,000/-. The assessee is a member of the Federation which has to raise various issues at various forums for the benefit of mining companies. Therefore, the said contribution is for the purpose of business of the assessee as the Federation of Mining Association is looking after the interest of mining business community. Similarly, the payment made to District Police Welfare Fund is also brings the benefit of maintaining cordial relations

with the Police Department and District Administration. In the activity of mining, the assessee is facing time and again the situation of accidents and other destructive activities. Thus the forum of District Administration and Police is very crucial in the smooth running of the business operation of the assessee. The contributions to Weight Lifting Association, Cultural Centres and other Societies and Samitis as well as Academy and Parishad are towards publicity and business promotion of the assessee company. Such contribution would also bring a good reputation and image of the assessee in the society as well as in the social and welfare organizations. Therefore, the expenditures towards the contribution to these societies, samitis etc. is an allowable expenditure on account of publicity and business promotion. Even otherwise when the expenditure is not against the public policy and for welfare of the society at large, then it is in the benefit of the business activity of the assessee. The Id. A/R has further submitted that the contribution made to these associations, samitis is an expenditure towards public welfare which is connected with the business of the assessee and certainly result in benefit to the assessee's business and, therefore, is an allowable expenditure under section 37(1) of the IT Act. He has relied upon the judgment of Hon'ble Supreme Court in case of Sri Venkata Satyanarayana Rice Mill Contractors Co. vs. CIT, 223 ITR 101 (SC). He has also referred to various decisions on this point including the decision of Hon'ble Madras High Court in case of CIT vs. Madras Refinery Ltd. 266 ITR 170 (Madras) and decisions of this Tribunal dated 25.08.2006 and 31.03.2010 in assessee's own case for the assessment years 1993-94 and 2006-07 respectively. He has further submitted that a similar disallowance was made in the assessment year 2010-11 which

was deleted by the Id. CIT (A) and the order of the Id. CIT (A) was upheld by this Tribunal vide order dated 12.02.2016.

8. On the other hand, the Id. D/R has submitted that these expenditures are incurred towards contribution or donation to various organizations or associations, samitis, schools etc. Therefore, this is not the expenditure incurred wholly and exclusively for the business of the assessee. A donation given by the assessee is a pending of income and not an expenditure incurred for earning of income. He has relied upon the orders of the authorities below.

9. We have considered the rival submissions and material on record. The assessee has explained the reasons for allowability of these expenses which have been reproduced by the AO as under :-

S.No.	Name of Party	Amount in Rs.	Explanation
1.	Federation of mining association of Rajasthan	500000	Assessee company is a member of the Federation of Mining Association of Rajasthan. The office bearers of the RSMM forms part of the executive committee of the Federation. Assessee has contributed Rs.5.00 lacs towards the purchase of officer premises of the federation. Since the federation helps to raise various issues at different forums for the benefit of mining companies therefore the expenditure is not Donation and needs to be allowed. Relevant papers are enclosed at PB Pg.33-41
2.	District Police welfare	25000	Payment is made towards police welfare fund in order to maintain cordial relations with the police department. It is only the interest of the

	fund		company to maintain good relations with the district administration, hence expense should be allowed u/s 37(1). PB Pg.42
3.	District weight lifting association	10000	The amount was paid towards sponsorship of the 38 th State Level Senior Weight-Lifting Championship (man and woman) at the Luv-Kush Indoor Stadium during 12 th to 14 th November '2006. Hence the payment is Towards the publicity and business promotion of the company and therefore same is allowable u/s 37(1) of the Income Tax Act, 1961. (Copy of relevant pages are enclosed at PB Pg.43-44).
4.	West Zone culture Centre	20000	West Zone Culture Centre has organized an event in name of "Umang Utsav" to help the blind and deaf children. Assessee has given contribution of Rs. 20,000/- for the sponsorship of the event which lead to the publicity of the company is allowable u/s 37(1) of the Income Tax Act, 1961. (Copy of relevant pages are enclosed at PBP Pg. 45-48).
5.	Jaisalmer Vikas Samiti	100000	Payment was made to Jaisalmer Vikas Samimit for the upkeep of the city. Such type of social expenses result into the publicity of the company, hence it is not donation rather allowable expense u/s 37(1), (PB pg. 49)
6.	SP Udaipur	250000	Amount was paid to the SP Udaipur for the construction of community Centre for Police Department. Payment was made towards police welfare in order to maintain cordial relations with the police department. It is only the interest of the company to maintain good relations with the district administration, hence expense should be allowed u/s 37(1).(PB Pg.50-51)
7.	Rajya Sahitya	50000	Payment was given for the sponsorship of the National Convention of writers held from 16.12.

	Acadmeey		2006 to 17.12.2006. Such Payment results in the publicity of the company and hence are allowable u/s 37(1). (PB Pg.50 & 52)
8.	Rose Society	50000	Amount was paid to Rose Society for sponsorship of Rose Show 2007 at Jaipur on 21.01.2007. Hence the payment is towards the publicity and business promotion of the company and therefore same is allowable u/s 37(1) of the Income Tax Act, 1961. (Copy of relevant pages along with note sheet are enclosed at PBP Pg. 53-65).
9.	Maharana Kumbhas Sangit Parishad	50000	Amount was paid to Paishad for sponsorship of 45 th Maharana Kumbha Sangeet Samaroh on 9 to 11 th March' 2007 at Udaipur. Hence the payment is towards the publicity and business promotion of the company and therefore same is allowable u/s 37(1) of the Income Tax Act, 1961. (Copy of relevant pages along with note sheet are enclosed at PB Pg 66-68).
10.	Madhuban Mahila Samiti	22000	Amount was paid to Madhuban Mahila Samiti for purchase of 2 Cycle trollys for the collection of garbage from various places in the city. The expenditure is incurred for the cleanliness of the city. Such type of Social responsibility expenses result into the publicity of the company, hence it is not donation rather allowable expense u/s 37(1). (PBP Pg. 69-73).
11.	Government Adarsh Higher Primary School	10000	Payment was given for the sponsorship of the 50 th Divisional level Sports Tournament. Such payment results in the publicity of the company and hence are allowable u/s 37(1) (PB Pg. 74-76)
	Total	1087000	

The AO has not accepted the reasons explained by the assessee, but held that these are in the nature of donations and not allowable as an expenditure incurred wholly and exclusively for the purposes of business. We find that the genuineness of the expenditure has not been disputed by the AO but it is disallowed for the reason that not incurred for the purposes of business. The assessee has paid Rs. 5,00,000/- as contribution to the Federation of Mining Association of Rajasthan to which the assessee is a Member. Therefore, the said contribution is towards the business interest of the assessee to be looked after by the Federation by raising the issues at various forums. Therefore, we find that this expenditure cannot be held to be incurred other than business purposes. Similarly, the contribution made to District Police Welfare Fund and towards construction of Community Centre for Police Department, Udaipur, is ultimately result in benefit of smooth functioning of the business of the assessee. We find merits in the explanation of the assessee that the assessee in its day to day business activity is facing various untoward situations of accidents and other incidents of obstruction in the mining activity by some organizations and anti social elements etc. Therefore, maintaining a cordial relations with the Police Department and District Administration is in the interest of business of the assessee and hence the said payment of the assessee for the welfare of the Police Department, particularly Community Centre as well as Welfare Fund of the Police Department is an allowable expenditure having regard to the nature of business activity in the mining field which requires police help for maintaining law and order situation and uninterrupted functions of the assessee. Similarly the other contributions to the various Societies, Samitis and Sangeet Parishad including the

Government Adarsh Higher Primary School for sponsorship of the sports tournaments are certainly for the publicity and business promotion of the assessee. Even otherwise, such type of contributions are participations of the assessee and monetary help in conducting the social welfare activity in the area would bring a good reputation and image of the assessee's business which is nothing but a business promotion activity of the assessee. Once the expenditure incurred by the assessee has a nexus with the interest of the business of the assessee and functioning of the business of the assessee, then the same is an allowable business expenditure under section 37(1) of the IT Act. This Tribunal in assessee's own case for the assessment year 2006-07 has considered this issue vide order dated 31.03.2010 in para 9 as under :-

"9. After hearing both the parties, we noted that amount of Rs. 14,650/- was paid to the Inspector General of Police, Udaipur Range for assistance in organizing two days work shop on Human Rights for Police Officers at Reserve Police Lines on 28-29 January 2006 and Rs. 10,000/- to Wild Life Development Samiti who every year celebrates wild life week from 1st October to 7th October during which it organizes many competitions and other events for school students. Thousands of students of different schools participate in these competitions and winners of the competitions are awarded prizes. Assessee has contributed Rs. 10,000/- towards organizing such week which is in the area of its operations. Such expenditures are incurred by the assessee as an economic and social obligation of the company where it is functioning. Incurring of such expenses results in the maintaining co-ordeal relationship with the District Administration including Forest and Police Department. It is in the interest of the company to maintain good relations with the District

Administration. Such social expenditure incurred on implementation of 20 point programme was allowed as deduction in case of HPCL vs. DCIT 96 ITD 186 (Mum.). Similarly expenditure on bringing drinking water to locality and aiding local school was held allowable deduction in case of LD. CIT vs. Madras Refinery Limited 266 ITR 170 (Mad.) expenditure incurred on construction of hockey stadium on government land by a civil contractor was held as allowable business expenditure on the ground that it was incurred towards promotion of its business and for generating the goodwill in case of LD. CIT vs. Velumanickam Lodge 32 DTR 246 (Mad.). Respectfully following these decisions and principles laid down therein, we are of the view that small amount contributed to above fund / samiti by the assessee in discharge of its social obligation in the area, where it is functioning, is an allowable expenditure u/s 37(1). The disallowance confirmed by LD. CIT (A) is therefore deleted. The ground of the assessee is thus allowed."

For the assessment year 2010-11, the Tribunal has again considered this issue vide order dated 12th February, 2016 in para 10 to 12.1 as under :-

"10. Assessee has debited a sum of Rs. 5,12,84,990/- to the Profit & Loss account on account of donation. Out of which, Rs. 5,10,00,000/- was paid to Chief Minister Relief Fund on which deduction was claimed u/s 80G @ 100%. The remaining amount of Rs. 2,84,990/- was claimed by the assessee u/s 37(1). In respect of the claim of deduction, the assessee has submitted that though the payments were debited in the donation expenses account but these are in the nature of publicity and sales promotion expenses. Hence the same is allowable u/s 37(1). In the

assessment year 2006-07 Hon'ble ITAT has allowed the payment made by the assessee to wild life development samiti and to the Inspector General of Police for organizing the road safety week by holding that the amount was paid by the assessee in discharge of its social obligation in the area and therefore allowable u/s 37(1).

10.1. The AO considered the submission but could not find it acceptable. The AO observed that assessee has not been able to prove the business expediency of the expenditure incurred towards social welfare expenses neither he explained that what benefit it had derived from incurring these expenses. The AO, therefore, disallowed the claim of expenses of Rs. 2,84,990/-.

11. On appeal before Id. CIT (A), the Id. CIT (A) deleted the disallowance amounting to Rs. 2,34,990/- by holding that the same were contributions made for various activities which also involved display of appellant's banner and therefore these expenses had advertisement and publicity value for the appellant. However, the Id. CIT (A) confirmed the disallowance of Rs. 50,000/- in respect of payment made to Rose Society by relying on the decision of Hon'ble ITAT in assessee's own case for AY 2008-09 where the disallowance made by AO in respect of payment made to Rose Society was confirmed by Hon'ble ITAT.

12. Now the revenue is before us.

12.1. We have heard rival contentions and perused the material on record. After going through the order of the Id. CIT (A), we find no infirmity in the order passed by Id. CIT (A), therefore, no interference is called for. Thus the ground of the revenue is dismissed."

Accordingly in the facts and circumstances of the case as discussed above as well as the various decisions relied upon by the assessee including decision of this Tribunal in assessee's own case, the expenditures incurred by the assessee under the head Business Promotion and Welfare Activities is allowed. Addition made by the AO is deleted.

10. In the result, appeal of the assessee is allowed.

Order is pronounced in the open court on 04/08/2020.

Sd/-
(विक्रम सिंह यादव)
(VIKRAM SINGH YADAV)
लेखा सदस्य / Accountant Member

Sd/-
(विजय पाल राँव)
(VIJAY PAL RAO)
न्यायिक सदस्य / Judicial Member

Jaipur

Dated:- 04/08/2020.

Das/

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

1. The Appellant- M/s. Rajasthan State Mines & Minerals Ltd., Jaipur.
2. The Respondent – The Addl. CIT, Range-6, Jaipur.
3. The CIT(A).
4. The CIT,
5. The DR, ITAT, Jaipur
6. Guard File (ITA No. 213/JP/2020)

आदेशानुसार / By order,

सहायक पंजीकार / Assistant. Registrar

