

**IN THE INCOME TAX APPELLATE TRIBUNAL
“B”BENCH: BANGALORE**

**BEFORE SHRI N.V. VASUDEVAN, VICE PRESIDENT AND
SHRI B.R. BASKARAN, ACCOUNTANT MEMBER**

ITA No.979/Bang/2017
Assessment Year: 2010-11

ACIT, Circle-2(3)(1) Bengaluru PAN NO :AABCI5313C APPELLANT	Vs.	M/s. Imperial Health Research Centre Ltd. No.154/11, Opp. IMB Bannerghatta Road Bilekahalli Bangalore-560 076 RESPONDENT
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C.O. No.92/Bang/2017 (Arising out of ITA No.979/Bang/2017) Assessment Year: 2010-11

M/s. Imperial Health Research Centre Ltd. No.154/11, Opp. IMB Bannerghatta Road Bilekahalli Bangalore-560 076 APPELLANT	Vs.	ACIT, Circle-2(3)(1) Bengaluru RESPONDENT
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Appellant by	:	Shri Priyadarshi Mishra, D.R.
Respondent by	:	Shri S.V. Ravi Shankar, A.R.

Date of Hearing	:	01.09.2020
Date of Pronouncement	:	01.09.2020

ORDER

PER B.R. BASKARAN, ACCOUNTANT MEMBER:

The appeal filed by the revenue and the cross objection filed by the assessee are directed against the order dated 24.01.2017 passed by Ld. CIT(A)-2, Bengaluru and they relate to the assessment year 2010-11.

2. At the time of hearing, the Ld. D.R. fairly submitted that the tax effect involved in the appeal filed by the revenue on the disputed issues is less than Rs.50 lakhs. Accordingly, he submitted that this appeal could not be pursued by the revenue as per the Circular No.17/2019 dated 08.08.2019 issued by the CBDT.

3. In view of the submission made by the Ld. D.R., we dismiss the appeal of the revenue in limini.

4. We shall now take up the cross objection filed by the assessee. The only issue urged is with regard to the disallowance of Rs.76,33,989/-, being the consultation fees paid to a Management consulting firm named M/s. Mckinsey & Company.

5. The Ld. A.R. submitted that the assessee is running a Super Specialty Hospital and is subsidiary of M/s. Apollo Hospital Enterprises Ltd. (AHEL). He submitted that the holding company has engaged M/s. Mckinsey & Company, a global management consulting firm seeking advice on improvement of operational efficiency, clinical excellence and other management related area. The holding company has spent a sum of Rs.7, 61,07,000/- in this regard for entire group and has allocated a sum of Rs.76,33,989/- to the assessee as its share. The assessee claimed the same as revenue expenditure. The Ld. A.R. submitted that the above said amount was paid to M/s. Mckinsey & Company in order to improve managerial, administrative and operational efficiency of the assessee company and hence it constitutes revenue expenditure. However, the A.O. has treated the sum as capital in nature and also held that the said expenditure is related to the holding company

and not to the assessee company. Accordingly, the A.O. has disallowed the same.

6. The Ld. A.R. submitted that the Ld. CIT(A) has, however, confirmed the addition by considering different facts, i.e., the facts relating to another payment by way of operational management fees made by the assessee to its holding company. Further, the order of Ld. CIT(A) is also cryptic in nature.

7. We heard Ld. D.R. on this issue and perused the record. We notice that the Ld. CIT(A) has not appreciated the facts relating to this issue in a proper way and hence, we are of the view that this issue requires fresh examination at the end of Ld. CIT(A). Accordingly, we set aside the order passed by Ld. CIT(A) on this issue and restore the same to his file for adjudicating it afresh, after affording an adequate opportunity of being heard to the assessee.

8. In the result, the appeal filed by the revenue is dismissed and the cross objection filed by the assessee is treated as allowed for statistical purposes.

Order pronounced in the open court on 1st September, 2020.

Sd/-
(N.V. Vasudevan)
Vice President

Sd/-
(B.R. Baskaran)
Accountant Member

Bangalore,
Dated 1st Sept, 2020.
VG/SPS

Copy to:

1. The Applicant
2. The Respondent
3. The CIT
4. The CIT(A)
5. The DR, ITAT, Bangalore.
6. Guard file

By order

Asst. Registrar, ITAT, Bangalore.