

**IN THE INCOME TAX APPELLATE TRIBUNAL  
DELHI BENCH 'B', NEW DELHI**

**Before Sh. Kul Bharat, Judicial Member**

**Dr. B. R. R. Kumar, Accountant Member**

**(Through Video Conferencing)**

**ITA No. 3203/Del/2018 : Asstt. Year : 2013-14**

**ITA No. 3204/Del/2018 : Asstt. Year : 2014-15**

The National Small Industries Corp. Ltd., NSIC Bhawan, Okhla Industrial Estate, Phase-III, New Delhi-110020	Vs	JCIT, Range-25, New Delhi
<b>(APPELLANT)</b>		<b>(RESPONDENT)</b>
<b>PAN No. AAAC0686N</b>		

**Assessee by : Sh. M. P. Rastogi, Adv.**

**Revenue by : Ms. Nidhi Srivastava, CIT DR**

**Date of Hearing: 24.08.2021**

**Date of Pronouncement: 25.08.2021**

**ORDER**

**Per Dr. B. R. R. Kumar, Accountant Member:**

The present appeals have been filed by the assessee against the order of Id. CIT(A)-43, New Delhi dated 20.03.2018.

2. Since, the issues involved in both the appeals are identical, which were heard together.

3. The assessee is a PSU created for promoting the growth of MSME (Micro, Small and Medium Enterprises) and one of the activities is to procure Raw materials in bulk and sell them to MSME units at reasonable rates -by passing on the benefits of bulk procurement. The company procures / purchases steel from

RINL (Rashtriya Ispat Nigam Ltd.,) and SAIL (Steel Authority of India Ltd) as part of its major operations.

4. The Id. CIT (A) confirmed the disallowance of discount of Rs.4,24,823/- offered by the assessee to the customers on account of sales made during the preceding year.

5. Facts reveal that the company during year under consideration received additional quantitative Discount on steel purchased from RINL & SAIL on purchases made during the preceding year AY 2012-13. Thus the additional discount from RINL & SAIL accrued in the Current year but on purchases made in the preceding year.

6. Keeping in line with, its objective of assisting MSME units procuring Raw Materials at Competitive prices and in accordance to the Government Guidelines, the company passed on 50% of the additional discount on steel received from RINL & SAIL on purchases during the preceding year AY 2012-13, to its MSME Customers, in the corresponding period and also accounted the remaining 50% as receipts of the assessee.

7. Thus it is evident that the additional Discount received from RINL &, SAIL, though on purchases made in the preceding year, accrued in the Current year as well as 50% of such additional discount was passed on to the Customers of corresponding period accrued in this year only as the decision was taken in the current year and thus the liability to pay also arose in the Current year only.

8. Hence, the claim of discount is allowable in this year only in accordance with the law.

9. We find that the entire confusion arose due to erroneous classification of the discount paid to customers as a Prior Period expenses whereas infact the assessee received additional discount on the purchases made in the earlier years, the same has been distributed among the customers and to the assessee at the ratio of 50:50 of the discount received on steel purchased from RINL & SAIL which has been duly shared with Customers.

10. Hence, the action of the revenue authorities ignoring the credit of 50% of the discount as the income of the assessee and disallowing the same discount by stating that the company is following mercantile method of accounting, ignoring the principle of crystallization and acceptance of liability cannot be upheld.

11. The other ground relates to disallowance of expenses claimed in P&L account under Corporate Social Responsibility (CSR).

12. In this regard, we find that the Explanation (2) to Section 37(1) has been inserted by the Finance (No. 2) Act, 2014 w.e.f. 01.04.2015. The insertion having bearing on the chargeability of tax as per Section 4 of the Income Tax Act, 1961 is to be treated as applicable prospectively.

13. Hence, the action of the revenue authorities disallowing the CSR expenses pertaining to the financial years 2012-13 2013-14 cannot be held to be legally valid.

14. In the result, both the appeals of the assessee are allowed.

Order Pronounced in the Open Court on 25/08/2021.

Sd/-

**(Kul Bharat)**  
**Judicial Member**

**Dated: 25/08/2021**

\*Subodh Kumar, Sr. PS\*

Copy forwarded to:

1. Appellant
2. Respondent
3. CIT
4. CIT(Appeals)
5. DR: ITAT

Sd/-

**(Dr. B. R. R. Kumar)**  
**Accountant Member**

**ASSISTANT REGISTRAR**