

**IN THE INCOME TAX APPELLATE TRIBUNAL
HYDERABAD ' B ' BENCH, HYDERABAD.**

**BEFORE SHRI S.S. GODARA, JUDICIAL MEMBER AND
SHRI L. P. SAHU, ACCOUNTANT MEMBER
(Through Virtual Hearing)**

**ITA No.2245/Hyd/2018
(Assessment Year : 2015-16)**

M/s. College Street Education
Technologies Pvt. Ltd.,
Hyderabad.

PAN AAECC 5683Q

.....Appellant.

Vs.

Dy. Commissioner of Income Tax,
Circle 1(2), Hyderabad.

.....Respondent.

Appellant By : None.

Respondent By : Shri Rohit Majumdar (D.R.)

Date of Hearing : 25.05.2021.

Date of Pronouncement : 16.08.2021.

O R D E R

Per Shri S.S. Godara, J.M. :

This assessee's appeal for Asst. Year 2015-16 arises from the Commissioner of Income Tax (Appeals)-1, Hyderabad's order dt.3.10.2018 passed in case No.0253/CIT(A)-1, Hyd/2017-18/2018-19 in proceedings under Section 143(3) of Income Tax Act, 1961 ('the Act').

Case called twice. None appeared at assessee's behest. It is accordingly proceeded exparte.

2. The assessee's sole substantive grievance raised in the instant challenges the correctness of both the lower

authorities' action disallowing its business promotion expenses including advertisements, print media, digital media activities, google search space and conference(s) in educational universities involving a sum of Rs.31,08,610 in the course of assessment dt.29.12.2017 and upheld in the CIT(A)'s order as under :

- 5.3 The **submissions of the appellant** have been carefully considered. The appellant has claimed expenditure for the promotion of business. There is a sudden rise in expenditure incurred under Business promotion from Rs.9,15,992/- for FY 2013-14 to Rs.31,08,610/- for the relevant FY 2014-15.

Before me, the appellant submitted vouchers and bills to support its claim. Appellant has claimed expenditure for refreshment, lodging, stationery, design, publicity, meeting, consultancy fee and registration fee, etc. As seen from the submissions, the appellant has paid Rs.75,475/- to SivaKumar Vondivillu for photo/ shooting, for which no TDS was made. To the same person, Rs.10,301/- was paid for advertisement and publicity. For Printing, appellant has paid Rs.3,12,018/-. The appellant has paid Manisha Das for gifts and compliments, Rs.2,53,249/- where no TDS was deducted. For refreshments, the appellant had deducted Rs.1,33,050/-, for which no vouchers have been submitted. Appellant has also paid for stationery to Konark Wadhwa, Apsara Enterprises, Mounica Kaul and others. For conference, Rs.4,05,147/- was paid to Mounika Kaul. Appellant also has paid M/s.Value 360 Communication Pvt Ltd and M/s. Popkorn PR Plus Communications, totalling to Rs.4,32,164/-.

The appellant has submitted only vouchers to support its claim. However, the appellant has not been able to justify for what these expenditure were incurred. As per the Assessing Officer, these expenditure were related to the client in Singapore. During the appeal proceedings, the appellant was asked to justify the expenditure. The appellant has submitted invoices which varies from payment to Social Media, public relation consultants, purchase of ACs from M/s. Bajaj Electronics, Beetal phones from Master Communication systems, CPU and Dell inspiral, laptops, etc. However, the appellant did not submit any justification regarding the

expenditure incurred. Also, whether these were paid by banking channels was not proved. The issue raised during the appeal was whether these expenditure for sales promotion is justified as the appellant has just one client. The appellant company is a subsidiary of M/s. People Combined Educational Initiative Limited, Singapore. The appellant company acts as agent for the Singapore based company International Educational Gateway Pte Limited, Singapore. In the assessment order, the Assessing Officer concluded as follows :

"It is noticed from financial statement and independent auditor's report of the assessee company under related party disclosure that holding company is PCEIL, key management personnel (KMP) are Mr.Jaideep Gupta, Mr.Varun Agarwal, entities over which KMP exercise significant influence IEG, Singapore located company IEG. And the assessee company has shown income from sale of services of RS.1,03,33,551/- and other income of Rs.7,88,864/- which includes liability written back and miscellaneous income. The total sale of services income is received from only from related party IEG. It has not shown transaction with other than related party."

This shows that the appellant company main role is collecting fees on behalf of IEG and has no other income other than service income. Hence, the appellant is a dedicated company for the above purpose. During the appeal proceedings, the appellant do not justify the need to spend Rs.31,08,610/- on sales promotion.

In background to this, I find that the appellant has not able to justify these expenditure under sales promotion, hence the addition made by the Assessing Officer is upheld.

-Ground Dismissed

4. Learned department representative fail to dispute that the CIT(A) has mainly gone by the fact that there was no justification on assessee's part to incur the impugned business promotion expenses. Such a course of action on

the learned lower authorities' part amounts to sitting on judgement as an assessee's business expediency not sustainable as per the decision S.A. Builders Vs. CIT 288 ITR 1 (SC). The fact also remains that the assessee has not been able to file its cogent supporting evidence to the effect that the impugned expenses had been incurred wholly and exclusively for the purpose of business so as to be allowable under section 37 of the Act. Faced with this situation, we deem it appropriate that a lump sum disallowance of 30% of the impugned expenditure amounting to Rs.31,08,610 would be just and proper with a rider that same shall not be treated as precedent in any other assessment year. We order accordingly. Necessary computation shall follow as per law.

5. This assessee's appeal is partly allowed in above terms.

Order pronounced in the open court on 16th Aug., 2021.

Sd/-

(L.P. SAHU)
Accountant Member

Sd/-

(S.S. GODARA)
Judicial Member

Hyderabad, Dt.16.08.2021.

* Reddy gp

Copy to :

1.	M/s.College Street Education Technologies Pvt. Ltd., Suite 301B, Sri Durga Towers, Road No.10, Banjara Hills, Hyderabad-500 034
2.	DCIT,Circle 1(2), Hyderabad.
3.	Pr. C I T-1, Hyderabad.
4.	CIT(Appeals)-1, Hyderabad.
5.	DR, ITAT, Hyderabad.
6.	Guard File.

By Order

Sr. Pvt. Secretary, ITAT, Hyderabad.