

IN THE INCOME TAX APPELLATE TRIBUNAL  
MUMBAI BENCH "E", MUMBAI

BEFORE SHRI ANIKESH BANERJEE, JUDICIAL MEMBER AND  
SHRI MAKARAND VASANT MAHADEOKAR, ACCOUNTANT MEMBER

ITA No.7422/Mum/2025 (Assessment year: 2013-14)

ITA No.7423 /Mum/2025 (Assessment year: 2012-13)

<b>Technocraft Industries (India) Ltd.</b> A-25, Technocraft House, MIDC Industrial Estate, Road No.3, Andheri (E), Chakala MIDC S.O. Mumbai-400093 <b>PAN: AAACT2724P</b>	vs	<b>Assistant Commissioner of Income Tax-11(3)(1), Mumbai</b> Aayakr Bhawan, Marine Lines Mumbai-400020
<b>APPELLANT</b>		<b>RESPONDENT</b>

Assessee by : Shri Tarang Mehta, Adv. a/w Shri Akash GogariCA  
Respondent by : Shri Ritesh Misra (CIT DR)

Date of hearing : 27/01/2026

Date of pronouncement : 03/02/2026

**ORDER**

**Per Bench:**

Both the appeals of the assessee filed against the separate order of the NFAC, Delhi (for brevity 'the Id. CIT(A), order passed under section 250 of the Income Tax Act 1961 (for brevity 'the Act') for assessment years 2012-13 & 13-14, date of order for both the appeals 24.10.2025. Both the impugned orders emanated from the separate orders of the Ld. Assistant Commissioner of Income

Tax-11(3)(1), Mumbai (for brevity the Id. Ld. AO), order passed under section 143(3) r.w.s. 147 of the Act, date of both the orders 18.12.2019.

2. Since both the appeals pertain to the same assessee, involving similar issues arising out of a similar factual matrix, these appeals were heard together as a matter of convenience and are being decided by way of this consolidated order. With the consent of the parties, the appeal for the **A.Y. 2012-13, ITA No.7423/Mum/2025** is treated as a lead case, and the decision rendered therein shall apply mutatis mutandis to other appeal before us.

3. The brief facts of the case are that the assessee is a public limited company and engaged in business of manufacturing and exporting drum, closures, scaffolding, cotton yarn, knitted cotton and textile products. The assessee also listed on the National Stock Exchange as well as Bombay Stock Exchange. The assessee filed the return by declaring total income Rs.35,41,16,838/-. Thereafter, the assessee revised its return and declaring the same income. The case was selected for scrutiny and assessment was framed u/sec. 143(3) r.w.s. 144(C)(3) of the Act and completed on 26.05.2016 without making any addition or disallowance on account of expenses towards Corporate Social Responsibility (CSR) of Rs. 2.5 crore paid to “Shanti Seva Nidhi” (SSN). Subsequently the Ld. AO reopened the assessee’s case u/sec. 148 of the Act dated 12.03.2019. The assessee filed the return u/sec. 148 and asked the recorded reason for reopening of assessment. During the reassessment the Ld. AO noted that the assessee claimed expenses u/sec. 37 amount of Rs.2.5/-crore which was related to CSR. The said CSR expenses amount to Rs.2.5/-crore is claimed under the head “other

expenses” in P&L account. on verification Ld. AO found that the assessee had claimed aforesaid amount as donation to Trust, “Shanti Seva Nidhi”, an Educational Institution in which children of several employees of assessee are studying. The Ld. AO disallowed the said expenses claimed by the assessee u/sec. 37 of the Act and added back with the total income. During the assessment proceeding the assessee contended that the same issue in assessee’s own case for A.Y. 2010-11 was already examined and adjudicated by the Coordinate Bench of ITAT, Mumbai related to payment of Rs.50,00,000/- to SSN which was claimed as expenses U/s 37 in P&L A/c. The Coordinate Bench has accepted the alleged expenses as eligible expenses and allowed the appeal of the assessee. But the Ld. AO in impugned assessment year confirmed the addition of the alleged expenses without considering the order of the ITAT on the ground that the order of ITAT was not received through the proper channel. The aggrieved assessee filed an appeal before the Ld. CIT(A). The Ld. CIT(A) uphold the observations of the Ld.AO. Being aggrieved assessee filed an appeal before us.

4. The Ld. AR argued filed a paper book which is containing **page 1 to 122** which has been placed on record. The Ld. AR contended that the assessee has paid this amount of Rs.2.5crore to SSN. SSN is a trust & running the school by facilitating the training of

1. Diploma in tool and die making followed by one year industrial training.
2. Diploma in mechatronics and
3. Post Diploma in tool design

Further the SSN also had set up the vocational training school at Murbad, Thane and running short term and long term training program in the ancillary field of

tools and die making, electronics, computing and other relevant areas. Thus, there is a direct nexus between the above course and manufacturing process of the appellant. The “tool and die making” process is one of the integral process in manufacturing of assessee’s various product vis drum closures, tubes and scaffolding, the Ld. AR further invited our attention in **APB page 72** where the list of employees of company who have been absorbed by company from completing their courses at SSN in different departments in the assessee’s factory.

5. The Ld. AR advanced his arguments and stated that the same factual issue was duly agitated before the Coordinate Bench of ITAT-Mumbai in assessee’s own case bearing **ITA NO.7565/Mum/2014 A.Y. 2010-11**, the date of pronouncement 27.12.2018 where the Coordinate Bench had deeply examined and adjudicated the issue. The observations contended by the Bench is reproduced as below:

*“14. We have heard the rival contentions and found that during the year under consideration the assessee has claimed deduction u/s 37(1) sum of Rs.50 lakhs in respect of donation made to Shanti SevaNidhi. Before the lower authorities the assessee had submitted detailed submission as to why such donation made by the assessee was exclusively linked to the business of assessee along with list of employees who had qualified from Shanti SevaNidhi and were deployed by the assessee. The CIT(A) has dismissed the ground taken by the assessee. The assessee is in further appeal before us. It was argued by the Ld. AR that the appellant company is a manufacturer who exports majority of its finished products. To compete in the international arena, the appellant company has to be up-to-date with best practices in its industry. The company has to engage in a process of continuous improvement and development of its products. Also to promote new set of ideas and fresh talent, the company encourage its employees to send their children to attend vocational training conducted in the premises of Shanti SevaNidhi. The same serves following purposes as under:*

1. **Readymade skilled employees-** Recruiting trained candidates (many of whom are employee's children) who have been trained with the NTTF assist the appellant company's

development tremendously. The same results in developing and creating better quality products capable of competing at an international level.

**2. Employee Welfare**, as the employees children have excess to a well reputed educational institute imparting quality technical education in various discipline at different levels. This expenditure confers the advantage of admission of the employees children in the school and hostel imparting technical training. This prompts to overall livelihood and well being of employees.

**3. Innovation, new ideas for manufacturing process**- The personnel trained at Shanti SevaNidhi have excess to latest production tools/machineries and well equipped laboratories. Further, it is not out of place to mention that the appellant is one of the leading manufacturer and exporters of Drum Closures, scaffolding systems and accessories. To sustain and grow in the export market, the appellant company cannot afford to stay stagnant. The appellant company is open to views/ideas shared by the personnel who have attained technical training from NITF. The same creates a more smooth manufacturing process and increase the production capacity without any need to add any resources.

In view of the above facts of the case, it was evident that apart from employees welfare, the expenditure incurred by the appellant company in-turn benefits from the inputs obtained from such trained personnel. Hence, on account of "commercial expediency", the appellant company had claimed the amount paid to M/s Shanti SevaNidhi of Rs.50 lakhs u/s 37(1) of the Income Tax Act, 1961.

As per the Ld. AR, section 37(1) of the Income Tax Act, 1961 is a residuary section. Hence this section covers only those items of business expenditure which are not covered under section 30 to 36. The test of allowability of any expenditure u/s 37 lays in the above mentioned three conditions mentioned:

1. Expenditure is incurred wholly and exclusively for the purpose of the business, The word 'wholly' refers to the Quantum of expenditure and the word 'exclusively' refers to the motive, object or purpose of the expenditure. The expression 'for the purpose of the business' is essentially wider than the expression for the purpose of earning profits.

2. Such Expenditure is not in the nature of personal expenditure.

3. Such expenditure is not of Capital in nature i.e. expenses should be of revenue in nature. The word "Capital" connotes permanency and "Capital Expenditure" is, therefore, closely

*akin to the concept of securing something, tangible or intangible property, or corporeal or incorporeal right, so that they could be of a lasting or enduring benefit to the enterprise in issue. Revenue expenditure. On the other hand. is operational in its perspective and solely intended for the furtherance of the enterprise.*

*On perusal of the portions highlighted in the pre-conditions for claiming an expenditure u/s 37(1) of the Income Tax Act, 1961, it can be clearly held that the appellant company has satisfied all the 3 conditions since-*

*1. Amount paid to Shanti SevaNidhi was wholly and exclusively for the purpose of benefiting the employees and obtaining overall employee welfare. The said Qhjective is purely for the purpose of the business because employee welfare will help theappellant company to ensure love employee turnover and dedicated employees help the company to reach higher horizons.*

*2. The expenditure incurred is nowhere personal in nature since the same is solely incurred with the purpose of staff welfare.*

*3. The expenditure incurred is operational in nature and is required to be incurred for business development.*

*In view of the above discussion, it can be said that the appellant company does satisfy all the pre-conditions prescribed u/s 37(1) of the Income Tax Act, 1961 for claiming expenditure under the said section. Accordingly, disallowance made by the Ld. AO on account of sum paid to Shanti Seva Nidhi u/s 37(1) is bad in law and liable to be deleted."*

6. The Ld. DR argued and contended that the nature of expense is related to CSR and payment to trust SSN is not allowable U/s 37 of the Act. The Ld. AO correctly disallowed the alleged expenses and added back with the total income. The Ld. DR contended that the Ld. CIT(A) in appellate order had discussed the issue and uphold the impugned assessment order. The relevant paragraph of the impugned appellate order para no.6 is reproduced as below:

**"6. DECISION:**

*6.1 The facts relating to the present appeal, in brief, are that the assessee had filed its return income for the assessment year 2012-13 on 25.09.2012 declaring total income of Rs.*

35,41,16,838/-. Assessment was completed u/s 144C(3) r.w.s 143(3) on 26.05.2016 at income of Rs. 36,67,85,970/-. As per AO assessee has debited an amount of Rs. 2,50,00,000/- towards Corporate Social Responsibility (CSR) under the head expenses. Accordingly, notice u/s 148 was issued to the assessee on 12.03.2019. In response to this notice assessee had filed its return of income on 09.04.2019 declaring total income of Rs.35,42,70,893/-. Subsequently, notices u/s 143(2) and 142(1) was issued to the appellant. In compliance to these notices assessee has submitted its reply. On the basis of above the order was passed by the AO, u/s 143(3) r.w.s 147 and addition of Rs. 2,50,00,000/- was made on account of disallowance of expenses towards Corporate Social Responsibility u/s 37(1) of the I.T. Act. Resultantly, the income assessed in the impugned order is Rs. 39,17,85,970/-. Aggrieved by this decision, the assessee is in present appeal.

6.2 Ground No. 1: This ground relates to validity of reopening u/s 148. It is seen that the AO has followed due procedure under law and this ground is non maintainable.

6.3 Ground No. 2: This ground relates to AO not considering the relief granted in CIT(A) order dated 15.04.2019 relating to original assessment order u/s 143(3) of I.T. Act for the same assessment year, in computation of income. The AO is directed to verify the computation and adjust it if needed.

6.4 Ground No. 3 & 4: These grounds relate to addition of Rs. 2,50,00,000/- (on account of disallowance of expenses towards Corporate Social Responsibility u/s 37(1) of the I.T. Act by the AO. Before me, the assessee has submitted that this expenditure relates to staff welfare and business development and is eligible expenditure u/s 37(1). This claim of assessee is not maintainable as the assessee has booked this sum in nature of donation to a Trust M/s Shanti SevaNidhi.

The assessee has made an alternate claim that this amount may be allowed as deduction u/s 80G. This claim of assessee is also not maintainable as neither there is claim in the original return of income, nor there are any details on record to show that this donation meets the criteria for deduction u/s 80G. The fact that assessee has made a further claim for deduction of 50% of Rs. 2,50,00,000/- as deduction shows casual nature of this claim. Therefore, the disallowance of this amount of Rs. 2,50,00,000/- on account of disallowance of expenses towards Corporate Social Responsibility u/s 37(1) of the I.T. Act, made by the Assessing Officer is upheld and appeal of the assessee is dismissed on these grounds.”

7. We have heard the rival submissions and perused the material available on record. The assessee has challenged the impugned order both on jurisdictional

grounds relating to the reopening under section 148 of the Act and on merits regarding the disallowance of CSR expenditure of Rs.2.50 crore claimed under section 37(1) of the Act.

On merits, it is an admitted fact that the assessee paid the said amount to SSN, which is engaged in imparting technical and vocational training closely connected with the manufacturing activities of the assessee. The factual matrix clearly establishes a direct nexus between the expenditure incurred and the business requirements of the assessee, including availability of trained manpower, employee welfare, and improvement in manufacturing processes. The Coordinate Bench of the ITAT, Mumbai, in the **assessee's own case** for **A.Y. 2010-11** (supra), after detailed examination, has categorically held that similar expenditure paid to SSN is allowable under section 37(1) of the Act on grounds of commercial expediency. It is also pertinent to note that the assessment year under consideration falls prior to the amendment to section 37(1) effective from 01.04.2015, whereby CSR expenditure was specifically disallowed. Therefore, the disallowance made by the Ld. AO on the premise that the expenditure is in the nature of CSR is not sustainable in law for the year under appeal. Respectfully following the binding decision of the Coordinate Bench of the ITAT, Mumbai, in the **assessee's own case** (supra), we hold that the disallowance of Rs.2.50 crore made by the Ld. AO under section 37(1) of the Act is unjustified and liable to be deleted. Accordingly, the addition is deleted and the appeal of the assessee is allowed on merits. In view of the relief granted on merits, the jurisdictional issues raised by the assessee are rendered academic in nature and are therefore left open.

In the result, the appeal filed by the assessee is allowed.

8. In the result, the appeal of the assessee bearing **ITA No.7422 and 7423/Mum/2025** are allowed.

Order pronounced in the open court on 03<sup>rd</sup> day of February 2026.

Sd/-

(MAKARAND VASANT MAHADEOKAR)  
ACCOUNTANT MEMBER

Mumbai, दिनांक/Dated: 03/02/2026  
SAUMYASr.PS

Sd/-

(ANIKESH BANERJEE)  
JUDICIAL MEMBER

**Copy of the Order forwarded to:**

1. अपीलार्थी/The Appellant ,
2. प्रतिवादी/ The Respondent.
3. आयकरआयुक्त CIT
4. विभागीयप्रतिनिधि, आय.अपी.अधि., मुंबई/DR, ITAT,  
Mumbai
5. गार्डफाइल/Guard file.

BY ORDER,

//True Copy//

(Asstt. Registrar), ITAT, MUMBAI