



IN THE HIGH COURT OF JUDICATURE AT BOMBAY
ORDINARY ORIGINAL CIVIL JURISDICTION

INCOME TAX APPEAL NO. 1586 OF 2013

The Commissioner of Income Tax - 7 .. Appellant.
V/s.
M/s. Nicholas Piramal (India) Ltd. .. Respondent.

Mrs. S. V. Bharucha, for the Appellant.
Mr. J. D. Mistry, Sr. Advocate with Mr. Neeraj Sheth and Mr. A. K. Jasani,
for the Respondent.

**CORAM: M.S.SANKLECHA, &
N.M.JAMDAR, JJ.**
DATE : 10th JUNE, 2015.

PC:-

This Appeal under Section 260-A of the Income Tax Act, 1961 (the Act), challenges the order dated 15th March, 2013 passed by the Income Tax Appellate Tribunal (the Tribunal) for the Assessment Year 1998-99.

2 The Revenue has formulated the following questions of law for our consideration:-

“(a) Whether on the facts and circumstances of the case and in law, the Tribunal was justified in allowing the deduction of the entire expenditure of Rs.14,42,654/- incurred under the head community development expenditure as business expenditure even though the same were not incurred wholly and exclusively for the purpose of the business?”

“(b) Whether on the facts and circumstances of the case and in law, the Tribunal was justified in holding that the expenditure incurred by the assessee in A. Y. 1996-97 is allowable in the

year under consideration without giving any valid reason for the said finding?"

3 Mrs. Bharucha, learned Counsel appearing for the Revenue states that question (b) is not being pressed.

4 So far as question (a) is concerned, the Respondent-Assessee had during the year under consideration claimed deduction on the aggregate of Rs.14.42 lakhs under the head 'community development expenditure. This expenditure was for providing street lights on the road which leads to the Respondent's factory, providing ambulance for meeting medical emergencies for residents of the village where its factory is and developing a public garden. The aforesaid expenditures were disallowed by the Assessing Officer on the ground that the same are not incurred wholly and exclusively for the purpose of Respondent's business.

5 On further appeal, the CIT(A) upheld the order of the Assessing Officer disallowing the expenditure of Rs.14.42 lakhs for community development.

6 On further appeal, the Tribunal while following the decision of the Madras High Court in ***Commissioner of Income Tax v/s. Madras Refineries Ltd., 266 ITR 170*** held that the concept of business is not static and over a period of time, it would include within its fold the care and concern for the society at large which would result in a goodwill being created in its favour leading to better business. The Madras High Court in Madras Refineries (supra) had allowed expenditure incurred on drinking water facilities and aid to the school. Therefore, in the present case also, expenditure incurred for community is for the purpose of

business. This is in effect, a finding of fact and the Revenue is unable to show, it is perverse. Thus, no fault can be found with the order of the Tribunal.

7 Accordingly, no substantial questions of law arises and the **appeal is dismissed**. No order as to costs.

(N.M.JAMDAR,J.)

(M.S.SANKLECHA,J.)