

Sum incurred by coaching institute on scholarship to attract more students allowed as revenue expenditure

Summary – The High Court of Allahabad in a recent case of Rubic's Rostram Coaching Institute (P.) Ltd., (the Assessee) held that where by providing scholarship, business of assessee-coaching institute was expanded, same would be allowable as business expenditure.

Facts

- The assessee-company was engaged in running coaching institute for engineering, medical and other competitive examination.
- During scrutiny, the Assessing Officer found that the assessee gave scholarship only to a student and hence, same could not be claimed as business expenditure. He, therefore, made addition to the assessee's income.
- On appeal, the Commissioner (Appeals) affirmed the order of the Assessing Officer.
- On further appeal, the Tribunal, however, deleted the said addition.
- On appeal:

Held

- The assessee has launched the Scholarship Scheme to attract more students, as there is a cut throat competition. During the assessment year under consideration, first time board of director selected a student 'A' to get education in USA as he got admission on merit after qualifying the TOFFLE, SAT and other examinations.
- The student executed a bond where he was supposed to complete the education, failing which, the Scholarship amount was supposed to be refunded along with interest at the rate of 10 per cent. During the course of arguments, the assessee has shown higher receipt in the subsequent years, which shows that business has increased tremendously. It means that by providing foreign scholarship, more students were attracted. It is a business strategy/intelligentsia.
- It was held that by providing Scholarship, the business of the assessee has increased and it can be considered as a business strategy and the same is allowable as business expenditure.