

LIC premium paid for directors of Co. under staff welfare scheme is allowable as business expense

Summary – The Chennai ITAT in a recent case of Cotton Blossom India (P.) Ltd., (the Assessee) held that where assessee-company paid premium to Life Insurance Corporation of India under 'Employment-Employee Scheme' for two directors of company, impugned payment was allowable as business expenditure under section 37(1)

Facts

- During the assessment year 2009-10, the assessee-company paid premium to Life Insurance Corporation of India under 'Employment - Employee Scheme' for two directors of the company and claimed deduction of same as business expenditure under section 37(1).
- The lower authorities disallowed the claim of the assessee on the ground that the premium paid in the name of the directors was not covered under LIC and it could not be allowed, as they were directors of the company.
- On appeal to Tribunal:

Held

- It is to be noted that Keyman Insurance Policy is an allowable deduction as per the provisions of section 37(1). In this regard, CBDT had also issued a [Circular No. 762, dated 18-2-1998](#). Further it cannot be said that the directors of the company are not employees of the company. The premium paid in the name of the directors could be allowed under the said scheme.
- While deciding the issue of allowability expenses of Keyman Insurance Policy Premium, Billaspur Bench of the Tribunal in the case of *Sunita Finlease Ltd. v. Dy. CIT* [2009] 30 SOT 41 (URO) has held that the premium paid by the assessee on the Keyman Insurance Policy is allowable as business expenditure.
- The payment of premium made to the LIC in the name of directors is covered by the [Circular No. 762, dated 18-2-1998](#) issued by the CBDT. Further the premium paid by the assessee-company is to be considered as perquisite in the hands of the recipient.
- Hence, the payment in question made by the assessee to the LIC was allowable as business expenditure under section 37(1).