

Voluntary donation received by Mazdoor Union to settle employee-employer dispute would be tax-free

Summary – The Mumbai ITAT in a recent case of Mumbai Mazdoor Sabha, (the Assessee) held that Voluntary contributions/donations received by assessee from various companies for industrial dispute settlement having a direct nexus with negotiation and settlement arrived at between parties could not be treated as professional income and thus was exempt under section 10(24)

Facts

- The assessee a registered trade union received contribution/donation during the relevant period from various companies for industrial dispute settlement. The agreement and the confirmations from the concerned companies were filed before the Assessing Officer with the claimed proof that the receipts were voluntary contribution made by them. The stand of the assessee was that such contributions/donations could not be treated as professional income and thus were exempt under section 10(24).

Held

- The settlement of the disputes between the workers and their employers was negotiated by the assessee to avoid any stand of between the employers and the workers by playing a vital role. The contribution received by the assessee is only in respect of and on account of its activities in achieving the objects, as per Constitution. The amount received by the assessee from the employers/employees has a direct nexus with the negotiation and settlement arrived at between the parties. Thus, the activity of the assessee cannot be generalized in the nature of professional services simplicitor. The contribution from the employer is received as per agreement and incidental to the activities of the services rendered by the assessee in resolving the disputes between the member workers and the employers with the intention of welfare of the members/workers. Thus, it is noted that there is no material brought on record by the Assessing Officer evidencing that the amount received by the assessee from the employers as well as from the workers are not voluntary. In the absence of any contrary material and it has been accepted that the contribution of workers are exempt under section 10(24). Similar is the situation in respect of amounts received from counterparty, being employer, in pursuant to settlement / resolution of disputes, as exempt under section 10(24). Therefore, the amounts so received by the assessee cannot be treated as business or profession, consequently should have been treated as exempt under section 10(24) as well as on the principle of mutuality being distributed among the members.