

## Exp. incurred on education of director's son having no nexus with business couldn't be allowed: HC

**Summary – The High Court of Bombay in a recent case of Indian Galvanics Cyrium Foils Ltd., (the Assessee) held that where there was no direct nexus between education expenses incurred abroad by assessee for director's son and business of assessee's company, such expenses could not be allowed as business expenditure**

### Facts

- The Appellants - assessee company was engaged in manufacturing copper foils. The assessee had claimed certain amount as expenses incurred under the head 'Management Training and Development expenditure'. It was incurred for higher education and training of one of its directors son, namely, HK, who was sent to USA for completing course in Business Administration.
- The assessee explained that expenditure was incurred for the purpose of the assessee's business, so as to ensure better administration in long run. It was an assessee's case that an agreement was executed by the concerned employee, HK, who had committed to serve assessee for ten years.
- The Assessing Officer, however, refused to accept the assessee's contentions and thus, rejected the claim of assessee.
- On appeal, the Commissioner (Appeals) allowed the claim of the assessee.
- On second appeal of the revenue, the Tribunal allowed appeal of the revenue and resultantly, disallowance was restored as made by the Assessing Officer.
- On appeal to the High Court:

### Held

- In the case in hand, appellant-assessee is a company manufacturing copper foils. Son of one of the directors was sent to USA for completing course in Business Administration which was 'general' in nature and had no direct nexus with the business activities of the appellant-assessee. Appellants did not place better particulars on record like, basic qualification of Harsh Kumar; subjects in which he did his administration course; how such subjects has-had nexus to business activities of appellant and so on. Though a contract was placed on record whereby Harsh Kumar had agreed to render his services after completing his education and training, but that itself was not sufficient to hold that the appellants-assessee has proved nexus between the expenditure and its business activities.
- It is, thus, concluded that amount which is claimed by the appellants-assessee as deductible allowance was not incurred wholly and exclusively for the purpose of business of the appellants-assessee.
- That, for the reasons, as stated, here-in-above, the question is answered in negative *i.e.* in favour of revenue and against the appellants.