

ITAT remanded matter relating to allowing exp. incurred on education of grandson of directors of co.

Summary – The Chandigarh ITAT in a recent case of Bansal Alloys & Metals (P.) Ltd., (the Assessee) held that where revenue authorities rejected assessee's claim for deduction of educational expenses incurred on grandson of one of directors of company without taking into consideration plea that said grandson of director of assessee-company had contributed to functioning of assessee's business, impugned order was to be set aside and, matter was to be remanded back for disposal afresh

Facts

- During relevant year, assessee-company claimed deduction of educational expenditure incurred on grandson of director of assessee who was sent to abroad for completing his education.
- The Assessing Officer disallowed said expenditure on ground that it was not incurred for business purpose. The Commissioner (Appeals) confirmed said disallowance.
- The assessee filed instant appeal contending that impugned disallowance was made without taking into account relevant factors such as director's grandson had contributed to functioning of assessee's business. In support of said claim, proof of factory attendance register etc. was also brought on record.

Held

- On a reading of the finding of the Commissioner (Appeals), it is evident that assessee's submissions on facts have not been addressed by the Commissioner (Appeals). Thus, the conclusion arrived at in the impugned order wherein on facts the submissions are not addressed cannot be upheld. While so holding, the Tribunal concurs with the submissions of the revenue namely that all educational expenses of the children or grand children of the Directors of the companies who ultimately may also join the family business by itself, cannot be said to be an expenditure which can be said to have been incurred wholly or exclusively for the business purposes of the assessee as the expenses for educating the children and grand children of the Directors can very well be personal expenses of the parents etc. There are decisions wherein serving employees of the assessee companies who even if related have been sponsored for higher education on the undertaking that on their return, they shall join the said concern.
- Similarly there are decisions wherein loans may have been advanced to the children of the employees/Directors, sent for higher education with an undertaking to return and rejoin the assessee company etc. where the loan advanced is deducted from the salary paid etc., thus there can be no blanket decision that the higher education expenses of the Director's children necessarily are business expenses. Similarly the argument that similar expenditure has been allowed for the very same relative in the earlier year which though not demonstrated on facts but even if it is

correct that no disallowance was made in the earlier year by itself cannot lay down a precedent to be followed that the expenses allowed by oversight necessarily be allowed in the subsequent years. Accordingly, the impugned order is set aside back to the file of the Commissioner (Appeals) with a direction to address the correct facts and pass a speaking order in accordance with law.

- In the result, appeal of the assessee is allowed for statistical purposes.