

HC justified 50% disallowance as assessee failed to prove that promotion exp. was incurred for business purpose

Summary – The High Court of Delhi in a recent case of Sandeep Marwah, (the Assessee) held that where assessee claimed deduction in respect of business promotion expenses, in view of fact that assessee did not produce material and documents to show that said expenditure was incurred for business purpose, mere fact that payments were made through credit card would not be sufficient to prove their genuineness and, thus revenue authorities were justified in making disallowance of 50 per cent of expenses claimed as deduction

Facts

- During relevant year, the assessee claimed deduction in respect of business promotion expenses.
- The Assessing Officer finding that no bill or voucher was produced in support of incurring of said expenses, disallowed 50 per cent of expenses claimed as deduction.
- The Tribunal confirmed disallowance made by the Assessing Officer.
- On appeal:

Held

- Requirement of section 37 is that the expenditure should be wholly and exclusively laid out and expended for the purpose of business. Merely because payments were made through credit card would not show that the expenditure was wholly and fully for the purpose of business. This contention was rightly rejected by the Assessing Officer, as nature and object of the outgoing has to be also examined. Word 'wholly' refers to quantum of expenditure and word 'exclusively' refers to motive, object and purpose of the expenditure. Personal expenses or money spend for private purpose is not deductible. They fail the business expediency test. Further, whether the expenditure was incurred wholly and fully for the purpose of business has to be established and proven by the assessee. These facts are within the exclusive knowledge of the assessee and therefore he is under an obligation to place all facts and circumstances before the authorities. In the present case, the assessee did not produce material and documents to show that the expenditure under the aforesaid heads was incurred wholly and exclusively for the purpose of business. The findings of the Assessing Officer affirmed in the appeals are factual. Nothing has been placed on record to show that these findings are perverse and contrary evidence and material on record. No substantial question of law therefore arises on account of ad-hoc disallowance of expenses under the head business promotion and dress and costume expenses.