

Expenditure related to scientific research does not require approval to claim deduction u/s 35(1)(i)

Summary – The High Court of Madras in a recent case of Rajapalayam Mills Ltd., (the Assessee) held that Expenditure related to scientific research does not require approval to claim deduction u/s 35(1)(i)

Facts

- Assessee incurred expenditure on Scientific Research and claimed deduction under section 35(2AB).
- Assessing Officer rejected claim of assessee under section 35(2AB) as there was no occasion for Assessing Officer to consider claim of assessee.
- On appeal, the Commissioner (Appeals) held that expenditure incurred by assessee on Scientific Research was not entitled to weighted deduction of 1.5 times under section 35(2AB) as project in question was not duly approved by competent Authority, however, assessee was entitled to normal deduction of 100 per cent expenditure incurred only under section 35(1)(i).
- On further appeal by revenue, the Tribunal upheld the order of the Commissioner (Appeals).
- On appeal by revenue to High Court:

Held

- The HC stated that there is no substance in the instant appeal, since the claim of weighted deduction at 1.5 times of the expenditure incurred by the assessee on Scientific Research was not even decided against the revenue by the Appellate Authorities, viz., the Commissioner of Income Tax (Appeals) and the Tribunal and therefore, there was no occasion for the revenue to prefer any further appeal, as the expenditure was allowed only under section 35(1)(i) which does not require any approval by the Competent Authority.
- Since the spending of the amount on Scientific Research itself was not even disputed by the revenue, it is opined that the Appellate Authorities have rightly allowed the claim under section 35(1)(i). Therefore, there is no substantial question of law arising in the instant Appeal and the same is liable to be dismissed.