

Construction of bridge for transportation of goods was revenue exp.

Summary – The High Court of Bombay in a recent case of Salgaocar Mining Industries (P.) Ltd., (the Assessee) held that Construction of bridge for transportation of goods of the assessee was revenue expenditure and not capital expenditure.

Facts

- During the relevant assessment year, the assessee contributed towards its share of contribution to be paid to the Government for construction of the new bridge. The assessee claimed to have made this contribution at the bidding of State Government who had asked mining companies in and around an area where bridge was to be constructed to contribute towards construction of the bridge since it would be used by them for transportation of mineral ore. The assessee claimed this contribution as a revenue expenditure. However, the Assessing Officer treated it as capital expenditure.
- On appeal, the Commissioner (Appeals) also upheld the order of the Assessing Officer.
- On further appeal, the Tribunal was of the view that the expenditure incurred by the company as its share for construction of the new bridge could not be termed as capital expenditure, but was entirely revenue expenditure. The Tribunal held that the fact that such contribution resulted in a capital asset would not make any difference, because the assessee was not the owner of such asset.
- On revenue's appeal to the High Court:

Held

- The HC held that as per the Tribunal, in the present case, the contribution made by the assessee towards the construction of the new bridge facilitated the business of the assessee. Accordingly, the expenditure was clearly on revenue account and not on capital account.
- The assessee, by spending for construction of the new bridge, had not acquired any property or right of permanent character. It was, thus, in the nature of expenditure as part of the process of profit earning.
- Accordingly, there is no merit in the appeal. No substantial question of law arises for determination of this Court. The Tax appeal is, accordingly, dismissed.